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ABSTRACT

This book, which is intended to give stakeholders in state and local welfare policies a foundation on which to plan state/local reform efforts, summarizes some of the key findings and lessons from 2 decades of research on policies and programs aimed at increasing the self-sufficiency of low-income individuals and families. Chapters 1 and 2, which describe the context of welfare reform, examine the following topics: reasons for welfare's unpopularity; objectives of welfare reform; highlights of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996; characteristics of welfare recipients; characteristics of the labor market for low-skilled women; key features of the welfare system; and implications of welfare reform. Part 2, which is based on the research on increasing work and self-sufficiency among welfare recipients, covers the following topics: goals/limitations of welfare-to work programs; mandatory work and subsidized employment; pros/cons of changing financial incentives; and opportunities/risks of imposing welfare time limits. The book's final chapter focuses on goals and trade-offs, key challenges, pitfalls, and opportunities of welfare reform policies. Contains 12 figures/tables and 218 chapter endnotes. Appended is a discussion of work-related provisions of the 1996 federal welfare law. (MN)

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After AFDC

Welfare-to-Work Choices and Challenges for States

Dan Bloom

Manpower Demonstration
Research Corporation

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Technical Assistance for States and Localities

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Contents

Preface vii
Acknowledgments viii

What Is This Book and How Is It Useful? 1

Part I: The Context of Welfare Reform 5

Chapter 1: Defining the Goals of Welfare Reform 7

Why Is Welfare Unpopular? 7
What Are the Objectives of Welfare Reform? 9
A Focus on Work 10
The 1996 Federal Welfare Law: Magnifying the Need for Effective Work Strategies 11

Chapter 2: The Starting Point: Welfare Recipients, the Labor Market, and Welfare as We Have Known It 12

Characteristics of Welfare Recipients 12
- *What are the demographic characteristics of welfare recipients?* 12
- *How long do people receive welfare?* 13
- *How many welfare recipients work, and how many could work?* 14

Characteristics of the Labor Market for Low-Skilled Women 16
- *Are there enough jobs?* 16
- *What kinds of jobs are available to welfare recipients?* 17

Key Features of the Welfare System 18
- *How much is spent on welfare?* 18
- *How much does each family on welfare get?* 18
- *Has the welfare system discouraged work?* 20

What Are the Implications for Welfare Reform? 20

Part II: Increasing Work and Self-Sufficiency Among Welfare Recipients: The Research Record 23

Introduction to Part II 25

Chapter 3: Welfare-to-Work Programs 28

- *What can welfare-to-work programs accomplish, and what are their limitations?* 29
- *How do welfare-to-work programs affect government budgets and participants' financial well-being?* 34

- *Which works best: moving welfare recipients into jobs quickly, building their skills first, or using a mixed strategy?* 40
- *What other factors affect the success of welfare-to-work programs?* 50
- *What is the highest feasible rate of participation in a welfare-to-work program?* 53
- *What strategies work best for teenagers in households receiving AFDC?* 57
- *What are the biggest unanswered questions about welfare-to-work programs?* 61

Chapter 4: Mandatory Work and Subsidized Employment 62

- *What are the basic approaches to mandatory work for welfare recipients?* 63
- *Why have there been so few large-scale work programs for welfare recipients?* 64
- *Do work requirements translate into "make-work" jobs?* 66
- *Do work requirements reduce welfare caseloads?* 68
- *Are work requirements cost-effective?* 68
- *What are the pros and cons of subsidizing employers to hire welfare recipients?* 69
- *Can work experience programs succeed with the most disadvantaged welfare recipients?* 70
- *What are the biggest unanswered questions about mandatory work?* 71

Chapter 5: Changing Financial Incentives 72

- *What are the key strategies for making work pay?* 73
- *What are the benefits and costs of make-work-pay policies?* 75
- *What factors might influence the effectiveness of a financial incentive program?* 83
- *What are the pros and cons of alternative strategies for making work pay?* 87
- *What are the biggest unanswered questions about policies for changing work incentives?* 89

Chapter 6: Time Limits 91

- *What are the opportunities and risks of different approaches to time-limited welfare?* 92
- *How many people will reach time limits, and who will they be?* 93
- *What are the early lessons about operating time-limited welfare programs?* 95
- *What kinds of policies should be implemented along with time limits?* 97
- *What are the key unanswered questions about time-limited welfare?* 99

Part III: Conclusions 101

Chapter 7: Summing Up 103

A Summary: Goals and Trade-offs 103
The First Step: Clarifying Goals 104
The Key Challenges 108
Common Pitfalls 109
New Opportunities 111

Appendix: Work-Related Provisions of the 1996 Federal Welfare Law 113

Notes 117

Selected Publications on MDRC Projects 130

BOXES

Truth in Advertising: What This Book Does Not Do 2
Public Attitudes Toward Welfare 8
Welfare Grant Levels in Perspective 19
How Success Is Measured and Defined in Part II of This Book 26
The TANF Work Requirements 29
Understanding Impact Results 30
Making a Difference in Diverse Environments: Fifth-Year Results for California's GAIN Program 32
Welfare-to-Work Models 45
Two Paths to Higher Average Earnings 46
The Center for Employment Training (CET) 48
What Characterized the Riverside County GAIN Program? 50
Changing the "Message" of Welfare 52
The Role of Child Care 66
How Earned Income Disregards Work 74
Expanded Earned Income Disregards: Two Scenarios 77
The New Hope Project 86
Part-Time Work and Welfare Reform 88
The TANF Time Limit 92
The Challenge Is Not Only Getting Jobs, but Keeping Jobs 94
The Other Half of the Equation: Noncustodial Parents and Welfare Reform 98
Welfare Reform and Children 107

TABLES AND FIGURES

TABLES

2.1 How Long Do People Receive Welfare Over Their Lifetimes? Distribution of Total Time on Welfare 14

3.1 Per-Person Costs for Various Welfare-to-Work Programs Over Five Years 37

5.1 Average Monthly Impacts of the Self-Sufficiency Project (SSP) in Months 13 to 15 of the Follow-Up Period 79

5.2 Minnesota's Family Investment Program (MFIP): Impacts for Long-Term Welfare Recipients Over an 18-Month Follow-Up Period 82

FIGURES

3.1 Results for the Riverside County GAIN Program Over a Five-Year Follow-Up Period 30

3.2 Average Earnings Per Quarter for Program and Control Group Members in the Riverside County GAIN Program 31

3.3 The Effect of Various Welfare-to-Work Programs on Government Budgets: Per-Person Costs and Savings Over Five Years 39

3.4 The Financial Effects of Various Welfare-to-Work Programs on Welfare Recipients: Per-Person Gains and Losses (Relative the Control Group) Over Five Years 40

3.5 Five-Year Results of Two 1980s Job Search Programs 43

3.6 Proportion of JOBS-Mandatory Individuals Involved in JOBS in a Typical Month 55

3.7 Ohio's LEAP Program: Percentage of Teens Who Had Completed High School or Received a GED, or Were Still Enrolled in School, Three Years After Entering the Study 59

5.1 The Earned Income Tax Credit (EITC) in 1996 89

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Preface

Passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 has presented states and localities with an opportunity to reshape a welfare system that has grown increasingly unpopular. With the opportunity, however, come new challenges. The law gives states greater flexibility in many areas, but also imposes new restrictions on the use of federal funds. Perhaps more important, the law's enactment does not change the basic issues that have always made it difficult to meet the public's demand for welfare reforms that simultaneously reduce dependency, support children, and control public costs. These issues include the low skill levels of many welfare recipients, the types of jobs typically available to women with limited skills and work histories, meager child support collections for poor single mothers, and the inherent difficulty of reducing dependency among adults while continuing to support their children.

Fortunately, state and local policymakers need not start entirely anew. The past offers valuable lessons, not only about mistakes to avoid but also about policies and programs that have made a real, positive difference. This book, produced with the generous support of several private foundations, draws on the results of dozens of rigorous studies to describe what we have learned so far and what key questions remain unanswered. It is intended to provide policymakers and other interested parties with a common understanding of where we have been as they decide where we are going. The book is part of a new MDRC initiative, ReWORKing Welfare, that is seeking to distill and synthesize what MDRC and others have learned in the past two decades and help policymakers apply this knowledge to the critical task at hand.

Today's policymakers face the daunting challenge of reshaping the way our society assists some of its most vulnerable families. Much is at stake. It is hoped that the lessons of the past, coupled with new ideas and approaches, will help policymakers design new systems that can both sustain the support of the public and promote the economic success and well-being of low-income families.

Judith M. Gueron
President

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This book could not have been completed without the assistance and support of many people.

The book was funded by the Annie E. Casey Foundation, and by the supporters of MDRC's ReWORKing Welfare technical assistance project: the Charles Stewart Mott Foundation, the Ford Foundation, the James Irvine Foundation, and the George Gund Foundation.

At MDRC, Judith Gueron and Gordon Berlin were closely involved with the project from the outset. Each of them drafted sections of the book and reviewed numerous versions of it. David Butler also read many drafts and offered critical advice and support. Thomas Brock, Stephen Freedman, Daniel Friedlander, Robert Granger, Gayle Hamilton, Robert Ivry, Virginia Knox, David Long, James Riccio, and John Wallace provided helpful reactions and suggestions.

Several people outside MDRC also reviewed the manuscript. Special thanks to Mark Greenberg of the Center for Law and Social Policy and Douglas Besharov of the American Enterprise Institute, who carefully reviewed a late draft. Michael Laracy at the Casey Foundation and Jennifer Phillips and Jack Litzenberg at the Mott Foundation also offered insightful comments on a draft. Nancy Ebb, Evelyn Ganzglass, Karin Martinson, Kathryn Porter, Philip Robins, Howard Rolston, and Steve Savner gave helpful responses to earlier drafts. Barry Van Lare, Executive Director of the Welfare Information Network (which is participating in the book's distribution), also reviewed an early draft. Other experts and researchers, too numerous to mention by name, generously gave of their time to provide information about their studies and projects.

Pat Auspos spent many hours assisting with the bibliographical references and fact-checking the document. Judith Greissman edited the book and offered many helpful suggestions. Cele Gardner assisted with the editing, and Patt Pontevolpe and Stephanie Cowell did the word processing. Edward Rowe and his colleagues at Rowe & Ballantine designed the book and its cover.

Finally, this project owes a great debt to the talented researchers in many organizations who conducted the studies described in the book, and to the individuals and organizations who supported these studies. In turn, the studies could not have been completed without the support and assistance of federal, state, and local policymakers, who were willing to expose their programs and policies to unusual scrutiny in order to inform the policy process. Finally, the studies depended on the efforts of thousands of staff members and program participants, who carried out research procedures and shared their ideas and experiences with researchers. These dedicated efforts have produced the rich knowledge base described in these pages.

The Author

What Is This Book and How Is It Useful?

There is a common perception that welfare reform occurred in Washington, D.C., in the summer of 1996, when Congress passed and President Clinton signed national legislation making sweeping changes in several of the major programs that provide assistance to low-income families and individuals. Actually, the story of welfare reform has been unfolding, and will continue to unfold, in state capitals, county seats, cities, and, ultimately, local welfare offices across the country.

There is much disagreement about what the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 will and will not accomplish, but one point is widely acknowledged: The law presents states and localities with a set of dramatic and far-reaching choices about how to restructure public assistance programs. Obviously, the law's mandates and restrictions on federal funding will affect the incentives facing states; but, as in the past, each state will choose its own path in responding to these incentives. In fact, many states had begun to reshape their public assistance programs under federal waivers long before the national legislation passed. The stakes are high: The decisions that states and localities are now making could have profound implications for the future of U.S. social welfare policy and for the well-being of millions of low-income families.

This volume offers a foundation for state and local welfare reform efforts. It is a foundation built of sturdy material: reliable evidence gained through two decades of rigorous research, mostly focusing on previous state and local innovations. The book summarizes some of the key findings and lessons from this research and, just as important, highlights some of what we don't know. Its goal is to help states and localities make informed and realistic choices in the critical months and years ahead.

The book is written in plain, nontechnical language, and is targeted to a diverse audience: state legislators and legislative staff, Governors' policy advisors, public welfare administrators, budget officials, journalists, advocacy groups, and others with a stake in state and local social welfare policies. It was developed by the Manpower Demonstration Research Corporation (MDRC), a nonprofit, nonpartisan organization that designs and evaluates policies and programs aimed at increasing the self-sufficiency of low-income individuals and families. The research described in this book has been conducted over the past two decades by MDRC and other organizations.

Truth in Advertising: What This Book Does Not Do

This book does not aim to address the full range of issues that may be involved in a state's welfare reform plans. It focuses primarily on policies to promote work and self-sufficiency, reduce dependency, and improve the well-being of welfare recipients and their children. Because social welfare programs are closely intertwined, the book necessarily touches on topics related to child care, medical coverage, child support, and other issues. But it does not claim to address these important subjects in detail.

Nor does this book directly address a variety of recent policies designed primarily to affect welfare recipients' childbearing and parenting behavior—including rules requiring teenage parents on welfare to live in adult-supervised settings, "family caps," rules requiring welfare recipients to immunize their children, and others. These topics are omitted not because they are less important, but because few reliable studies have been conducted to shed light on their effectiveness.

Finally, the book does not touch on many important aspects of the 1996 federal welfare law, such as the provisions affecting the Food Stamp program, benefits for legal immigrants, and children receiving Supplemental Security Income (SSI). It is relevant mostly to choices regarding the block grants replacing the Aid to Families with Dependent Children (AFDC) program and the Job Opportunities and Basic Skills Training (JOBS) program.

Some may wonder whether the past offers any useful lessons for today's reform efforts. After all, many states and localities are seeking to distance themselves from a welfare system that is widely perceived to be "broken." In fact, there are several reasons why this book may be valuable:

- **A great deal is known.** Although many current welfare reform initiatives and proposals are unusually far-reaching, today's reformers face the same basic challenges and trade-offs that confronted their predecessors. Much has been learned about the strengths, limitations, costs, and benefits of a number of strategies for addressing these challenges. Some of these policies have made a real difference and should play a critical role in future reforms. In short, there is no need to reinvent the wheel.

- **Realistic expectations are critical to success.** Welfare reform is difficult, in part because the goals are often complex and contradictory. In the past, reformers have sometimes failed to acknowledge this complexity and have consequently promised too much. Judged against unrealistic standards, their policies were bound to be perceived as inadequate. By describing the core dilemmas facing welfare policymakers and the results of previous reform efforts, this book may help today's reformers set achievable goals.

- **Research evidence can reduce the risks for taxpayers and low-income families.** Even the best-designed public policies typically produce unintended consequences. The odds of unanticipated results are greatest when policies call for radical change, as do many current plans to restructure the safety net. These efforts may generate dramatic positive results, but they also entail serious risks:

They may cost much more than projected, alter low-wage labor markets, or cause unintended harm to children, the main beneficiaries of many public assistance programs. Research results are a valuable tool for increasing predictability and reducing risk.

The book is divided into three parts:

- Part I, comprising Chapters 1 and 2, sets the stage by discussing the main goals of welfare reform, describing some key features of the 1996 welfare law, and providing some basic information about welfare recipients, the current labor market, and the welfare system as it has traditionally operated.
- Part II, including Chapters 3 to 6, reviews the knowledge base about four key approaches to welfare reform—welfare-to-work programs, mandatory work programs, policies to change financial incentives, and time limits—and discusses the interactions among these approaches.
- Part III, consisting of Chapter 7, takes a step back, drawing on the earlier discussion to identify some broad lessons, issues, and trade-offs for states and localities to consider in designing reforms.

A detailed summary of selected provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 is provided in the Appendix.

Part I

The Context of Welfare Reform

Chapter 1

Defining the Goals of Welfare Reform

Before the effectiveness of particular welfare reform strategies is discussed, it is important to describe what those policies are trying to achieve. While welfare reform is broadly popular, studies of public opinion indicate that Americans have complex and contradictory views about what reform should accomplish. The need to balance these goals has complicated the task of designing and implementing effective policies in the past, and it remains a central issue for states and localities in planning their new welfare programs.

Why Is Welfare Unpopular?

Public opinion studies indicate that Americans from across the political spectrum are dissatisfied with the welfare system (see the box on page 8); this sentiment helped spur the national legislation of 1996 and the numerous state-initiated reforms that preceded it. While there is little consensus about which of the many federal, state, and local programs for the poor should be called "welfare," it is clear that Aid to Families with Dependent Children (AFDC) has been a particular focus of public resentment. Although the 1996 federal law replaces AFDC with a block grant to states, the program's history provides useful lessons to those who are currently designing its replacement.

AFDC (originally called Aid to Dependent Children, or ADC) was created in the Social Security Act of 1935 to provide cash assistance to children who had been deprived of the support of one of their parents—at the time, mostly children living with widowed mothers. (Initially, the program paid benefits only to children; adults were not counted in the grant calculation until 1950.) The program was not designed to promote employment because mothers were generally not expected to work outside the home.[1]

American social welfare policies, shaped by our society's strong belief in individual responsibility, often make implicit or explicit distinctions between people who are seen as capable of self-support—and thus not deserving of long-term public assistance—and those who are not expected to support themselves. Over the past six decades, the public has come to believe that most AFDC families should be at least partly self-supporting. Several trends may have contributed to this change in attitudes:

- **Caseload growth.** The number of people receiving AFDC grew dramatically over time. The total national caseload (including children) increased from about 1 million in 1940 to 3 million in 1960 to more than 14 million in 1994 (though the caseload declined to about 12 million by late 1996).[2] The total U.S. population roughly doubled during this period. (As will be discussed in the next chapter, this trend was uneven; a few brief periods of rapid caseload growth accounted for much of the long-term increase. Between these spurts, there were long periods when the caseload grew slowly, remained roughly constant, or declined somewhat.)

- **Shifts in the characteristics of AFDC recipients.** The composition of the AFDC caseload shifted over time to include a growing proportion of divorced and never-married mothers and members of minority groups. In 1940, about 85 percent of AFDC recipients were white, and children with deceased fathers made up as much as 40 percent of the caseload. In the mid-1990s, less than 40 percent of the caseload

Public Attitudes Toward Welfare

In the past few years, several careful studies used surveys and focus groups to assess public attitudes toward welfare. Some consistent themes emerged from these studies (all of which preceded enactment of the 1996 federal welfare law):

- A large majority of Americans expressed dissatisfaction with the welfare system. In one survey, 79 percent of respondents said the welfare system was not working well.[1] This view was widely shared by people from different ethnic/racial groups and with different political viewpoints.
- The most common complaint was that welfare discourages work. When asked in another survey what bothered them most about the welfare system, 49 percent of respondents mentioned the idea that welfare discourages work, 14 percent cited the system's cost, and 13 percent mentioned the notion that welfare causes families to break up.[2]
- Despite their dissatisfaction with welfare, Americans believe the government should assist the poor, particularly children. In one survey, 55 percent said the government spends too much on welfare, but 64 percent said the government spends *too little* on poor children.[3]
- Americans believe that people receive welfare for a complex set of reasons, including both lack of individual effort and factors beyond recipients' control. This perception, along with concern for the well-being of children, expressed itself in the varying responses to specific policy proposals. For example, while 68 percent of respondents in one survey said they favored ending welfare payments after two years and requiring recipients to take a job, the number favoring this policy dropped to only 26 percent if the recipient was described as having obtained a low-wage job that made it difficult to support a family. Only 16 percent said they would continue to favor the two-year time limit if the recipient was unable to find a job.[4] Other studies have found that the public strongly favors requiring welfare recipients to work in exchange for assistance.[5]

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1. Geoffrey Garin, Guy Molyneux, and Linda DiVall, "Public Attitudes Toward Welfare Reform: A Summary of Key Research Findings" (Washington, D.C.: Peter D. Hart Research Associates and American Viewpoint, 1994), p. 4. See also Steve Farkas and Jean Johnson, "The Values We Live By: What Americans Want from Welfare Reform" (New York: Public Agenda, 1996), p. 9.

2. Kaiser/Harvard Program on the Public and Health/Social Policy, "Survey on Welfare Reform: Basic Values and Beliefs; Support for Policy Approaches; Knowledge About Key Programs" (Menlo Park, Calif.: Henry J. Kaiser Family Foundation, 1995), Table 3.

3. Garin, Molyneux, and DiVall, p. 5.

4. Kaiser/Harvard Program on the Public and Health/Social Policy, Table 17.

5. Garin, Molyneux, and DiVall, p. 3; Farkas and Johnson, pp. 18-20.

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was white non-Hispanic, and about half of AFDC cases were headed by mothers who had never been married. Less than 2 percent of the cases were headed by widows.[3]

- **Growing labor force participation among women.** Paid employment among women in general—and mothers in particular—has increased dramatically, to the point where most mothers are now employed at least part time. This is true even of mothers with preschool children.[4] Because many working mothers feel that they have no choice but to work, many people began to question the fairness of a program designed to allow some poor mothers to stay home with their children indefinitely.

These trends have probably contributed to public resentment about welfare, but in recent years a diverse group of critics have raised broader concerns, arguing that welfare receipt is *harmful* to recipients and their children and that welfare contributes directly to a range of serious social problems, including the rise in out-of-wedlock childbearing and the decay of inner-city neighborhoods.[5] Although some researchers have questioned the validity of this argument,[6] mounting public concern about the possibility that welfare produces harmful effects has played an influential role in recent reform debates.

Finally, efforts to cut taxes and shrink government have put pressure on all public programs, especially programs for the poor. Thus, when government spending must be reduced, welfare programs are one of the places local, state, and federal policymakers look to restrain or cut costs.

Together, these and other factors have eroded public support for the notion of providing long-term cash assistance to able-bodied single mothers. But, while welfare has grown increasingly unpopular, polls show continued public support for the original goal of AFDC: supporting poor children.[7] In fact, this objective has taken on new urgency in light of recent data suggesting that the material condition of children in the United States may be worsening—the official poverty rate among children increased from 15 percent to 22 percent between 1970 and 1994—and that low-income American children are worse off in some respects than their counterparts in most other industrialized countries.[8]

What Are the Objectives of Welfare Reform?

Shaped by the complex public attitudes described above, most federal, state, and local welfare reform efforts aim to balance three core goals:

- reducing long-term dependency
- supporting children
- controlling costs

Unfortunately, it is no easy task to reconcile these goals. For example, because parents and children are linked, supporting children sometimes means supporting their nonworking parents—but doing that may conflict with the goal of reducing dependency.

In addition, these apparently straightforward goals raise a host of difficult questions:

- How is "dependency" defined? Does reducing dependency mean reducing the number of people on welfare, or ensuring that recipients "give something back" in exchange for public help? Is someone who is working off her welfare grant in an unpaid community service job dependent? Is a single mother with a young child dependent if she is working part time and receiving a partial welfare grant?
- What are the goals for children? To ensure that children's basic needs are met? To make poor children financially better off? Or is the primary goal to reduce the number of children receiving welfare, even if this may lower some families' income?
- What are the budget objectives? Primarily to reduce spending? Is it acceptable to spend more, but on different things (for example, spending less on welfare but more on subsidized child care for working single mothers)? Is it feasible to invest more upfront and save later?

Research cannot answer these questions; they must be hashed out in the political process. But research can provide information on the probable effects of specific policy approaches and the likelihood that they will meet the intended goals. This book aims to provide such data to inform the policy process.

A Focus on Work

Through the years, efforts to balance the goals described in the previous section have led welfare reformers to focus on work. The reasons are clear. To reduce welfare dependency without making children financially worse off, it is usually necessary for their parents either to work and at least partly support them or to work in exchange for the public assistance the family receives.[9] Similarly, improving the financial well-being of children without expanding dependency or welfare costs typically involves increasing work among parents. Thus, beginning in the 1960s, welfare reform policies sought to shift AFDC gradually from an open-ended income support program to one that assists recipients in preparing for and finding jobs.

At first, federal reforms funded employment and training services for AFDC recipients and changed the rules of welfare to increase the financial incentives to work. Over time, the notion of "mutual obligation" began to replace the original vision of AFDC. Under this view, government provides income support and services designed to promote employment, but recipients, in turn, are *required* to work or to prepare for work and self-sufficiency; those who fail to comply with these mandates face sanctions (that is, grant reductions). This compromise sought to make welfare more transitional while preserving its safety net function. Since the early 1970s, at least some groups of AFDC recipients have been required either to work in exchange for their benefits or to participate in activities intended to prepare them for work. The Family Support Act of 1988, the last major federal welfare reform prior to the 1996 legislation, for the first time required states to ensure that a specific proportion of AFDC recipients were participating in employment-related activities each month, through the Job Opportunities and Basic Skills Training (JOBS) program.

In the 1990s, states, operating under federal waivers, began testing a variety of new reform strategies.[10] Many states have built on earlier approaches, expanding the mutual-obligation vision by demanding more of recipients, and providing generous financial incentives to encourage and reward work. Some states are reducing the scope of the government's obligation by imposing time limits on welfare receipt; this is intended to make welfare less of an option and to put more pressure on recipients to become self-sufficient. Finally, many states have designed policies that address recipients' childbearing and parenting behavior.[11]

The 1996 Federal Welfare Law: Magnifying the Need for Effective Work Strategies

Although the broad goals of welfare reform—reducing dependency, supporting children, and controlling costs—are likely to remain similar, enactment of the Personal Responsibility and Work Opportunity Reconciliation Act dramatically changes the fiscal and administrative context for states as they seek to attain these goals. Three aspects of the law stand out:

- The law gives states vast new flexibility to design welfare rules and to decide how to allocate funds among cash assistance, employment-related services, and other areas. In many respects, states will be freer to devise and implement new welfare-to-work strategies.
- At the same time, federal funding under the Temporary Assistance for Needy Families (TANF) block grant—the funding stream that replaces AFDC and JOBS—is restricted in several ways. Most important, in order to receive their full TANF grant, states must meet demanding participation standards; large proportions of welfare recipients must be in work or work-related activities (though the standards are reduced if caseloads decline). In addition, federal funds cannot be used to assist most families for more than five years.
- More broadly, states will bear more of the fiscal consequences of their policy choices. Unlike the old system, in which state expenditures were matched by the federal government on an open-ended basis, federal funding for the TANF block grants is essentially fixed for six years. This means that states will keep the savings they achieve by moving people off welfare and into jobs, but it also means that states will bear most of the increased cost if spending rises. Finally, while many states will receive more federal funding under TANF than they would have received under AFDC and JOBS during the first years of implementation, over time the value of the TANF block grant will decrease because the grant will not be adjusted for inflation.

Together, these and other provisions of the law raise the stakes for states and recipients and magnify the need for effective work strategies. To avoid negative consequences—such as substantially higher state spending or adverse effects on children—states will need to do a better job of linking recipients with jobs and ensuring that they can stay employed. Fortunately, the research results described in this book suggest that there is a foundation on which to build.

Chapter 2

The Starting Point: Welfare Recipients, the Labor Market, and Welfare as We Have Known It

Efforts to promote work among welfare recipients should start with a clear understanding of the characteristics of welfare recipients, the labor market, and the current welfare system.

Although there is disagreement about which government programs should be viewed as "welfare," this chapter focuses primarily on Aid to Families with Dependent Children (AFDC)—the federal/state cash assistance program primarily for single parents and their minor children, and the program at the center of most welfare reform debates. In August 1996, federal legislation replaced AFDC with the Temporary Assistance for Needy Families (TANF) block grant, but the law is only beginning to take effect as of this writing; states must shift from AFDC to TANF between October 1996 and July 1997. In any case, the AFDC program is the starting point as states shape and implement their new policies. (Thus, this chapter is cast mainly in the present tense even though the AFDC program no longer exists in some states.)

Characteristics of Welfare Recipients

In the fall of 1996, approximately 11.9 million people—8.2 million of them children—were receiving AFDC nationwide. This amounted to less than 5 percent of the total U.S. population, but about 12 percent of all children under age 18.[1]

The size of the AFDC caseload has varied over the past 30 years. The caseload grew quickly in the early 1970s, remained fairly constant for about 15 years, experienced another spurt in the early 1990s, and began falling in 1994.[2] Studies suggest that the size of the AFDC caseload is influenced by labor market conditions, changes in family structure (particularly the rise in out-of-wedlock childbearing), changes in program rules, and other factors.[3]

■ *What are the demographic characteristics of welfare recipients?*

AFDC provides cash payments for needy children who have been deprived of parental support or care because their father or mother is absent from the home, incapacitated, or deceased. In addition, benefits are available to children in needy two-parent families in which the principal wage earner is unemployed but has a history of work. AFDC benefits are also paid to the children's needy caretaker relative (usually their mothers).

The AFDC population is quite diverse. Also, the characteristics of recipients vary substantially from state to state and within states. National statistics show that:[4]

- A large majority of the families receiving AFDC consist of a single mother and one or two children. Less than 10 percent of the families receive assistance under the AFDC-UP program, which primarily serves two-parent families, and about 17 percent of the cases include no adult recipient (these are households in which the adult who is caring for the children is not counted in the grant calculation). Following a trend in the general population, the average size of AFDC families dropped from 4.0 members in 1970 to 2.8 in 1994.
- Over half of the AFDC cases that include an adult recipient are headed by unwed parents (usually mothers).
- Less than 10 percent of AFDC families are headed by teenage mothers, but about half of AFDC families are headed by women who first gave birth as teens.
- Approximately 37 percent of AFDC parents are white (non-Hispanic), 36 percent are black (non-Hispanic), and 20 percent are Hispanic.
- Less than 10 percent of AFDC families receive any official child support payments from the children's noncustodial parents. (There is evidence that a larger number may receive support that is not paid through the formal child support enforcement system.[5])

Data collected from adult AFDC recipients entering welfare-to-work programs show that the vast majority did not receive AFDC as children.[6] Indeed, one study found that more than 60 percent of the daughters in AFDC households do not go on to receive AFDC as young adults. At the same time, several studies have found that daughters from families receiving welfare are much more likely than other daughters to receive welfare as adults.[7]

■ *How long do people receive welfare?*

About two-thirds of the people who start receiving AFDC leave within two years. About half of all those who leave do so because they find jobs (others leave because they marry or move in with other people, or for other reasons). However, many of those who leave subsequently return.[8] As shown in the first column of Table 2.1, one study found that 58 percent of those who enter the rolls for the first time *eventually* accumulate more than two years of AFDC receipt, and 35 percent accumulate more than five years of receipt.

Another way to answer this question is to look at all of the people receiving AFDC at a particular point in time. As illustrated in the second column of Table 2.1, such a "snapshot" would show that a large majority of the caseload—about three-fourths, according to this study—consists of long-term recipients who will receive welfare for at least five years in their lifetime.

Table 2.1

How Long Do People Receive Welfare Over Their Lifetimes? Distribution of Total Time on Welfare

Total time on welfare	New entrants	All current recipients at any point in time
1–12 months	27.4%	4.5%
13–24 months	14.8	4.8
25–36 months	10.0	4.9
37–48 months	7.7	5.0
49–60 months	5.5	4.5
More than 60 months	34.6	76.3

SOURCE: Adapted from LaDonna Pavetti, "Who Is Affected by Time Limits?" *Welfare Reform Briefs*, No. 7 (Washington, D.C.: Urban Institute, 1995), p. 2. These figures do not include the time people spend on welfare as children.

The apparent disparity between these findings can be explained by a well-known analogy to a hospital room with two beds.[9] One bed is occupied by a single patient for an entire month, whereas the other hosts four different patients, each for about one week. While 80 percent (four in five) of the patients who entered the room during the month had short stays, a "snapshot" would show that 50 percent of the patients in the room at any point were in the midst of a long stay.

Overall, the data suggest that there are several "typical" patterns of AFDC receipt, further demonstrating the heterogeneity of the caseload. Some families receive AFDC briefly and never return. Others "cycle" back and forth between AFDC and low-wage jobs. A third group receives AFDC continuously for many years.

Long-term recipients account for a fairly small fraction of the families who ever receive AFDC, but a large fraction of the families receiving it at any one time. This group also accounts for a large share of the money that is spent on AFDC. One study found that long-term recipients—defined as those who receive AFDC for more than five years in their lifetime—tend to have low levels of education (63 percent have not completed high school) and relatively little work experience (50 percent had not worked in the year before they went on welfare). In addition, these individuals are more likely than short-term recipients to have been unmarried when they started receiving welfare, to have entered the welfare rolls when they were below age 25, and to be African-American or Hispanic.[10]

■ *How many welfare recipients work, and how many could work?*

Nationally, less than 10 percent of AFDC families report any earned income in a typical month.[11] One would expect this figure to be fairly low, because most recipients' grants are only a few hundred dollars per month and are reduced when they have earnings; thus, many of those who find even low-wage jobs earn enough to become ineligible for welfare, especially in states with the lowest grant levels. As discussed earlier, recipients are constantly finding jobs and leaving the rolls. In addition, some studies suggest that many AFDC recipients have earnings that are not reported to the welfare system.[12]

It is impossible to say with certainty what fraction of AFDC recipients *could* work. For example, some recipients' work patterns would almost certainly change if welfare was not available to them, but no one knows to what extent this would occur. However, studies have identified several important issues related to this critical question.

First, most AFDC recipients have at least some work experience, which means by definition that they are or were capable of working at some point. However, it is important to distinguish between a person's capacity to work *at all* and her or his capacity to work *steadily*.[13] Data collected from recipients entering welfare-to-work programs in various locations show that, while nearly all had worked at some point in the past, from 22 to 60 percent of recipients (depending on the location) had never worked full time for a single employer for six months or more.[14] Other data show that welfare recipients who find jobs often lose them quickly. Several factors may contribute to welfare recipients' unstable employment patterns:[15]

- Some studies suggest that long-term welfare recipients who find jobs often have difficulty adjusting to the world of work or have problems dealing with supervisors, and end up quitting or being fired.
- As discussed below, welfare recipients are likely to obtain jobs that are themselves unstable. Moreover, the combination of low wages, few fringe benefits, and a low probability of receiving steady child support payments means that recipients who leave welfare may have difficulty supporting their families for extended periods.
- As low-income single mothers, AFDC recipients often encounter "situational problems" related to child care, transportation, crime, domestic violence, and other issues that cause them to lose or quit jobs. This problem is likely to be exacerbated by the types of jobs recipients typically find; these positions are unlikely to provide fringe benefits such as paid sick days, and may offer little flexibility to allow employees to deal with personal or family issues.

Second, at any point, some AFDC recipients are experiencing serious physical or emotional problems that impede their ability to work. The Supplemental Security Income (SSI) program, which provides cash grants to needy disabled and elderly people, uses a stringent definition of disability;[16] thus, there are likely to be welfare recipients who are unable to work steadily but do not qualify for SSI.

Estimates of the proportion of recipients experiencing such problems vary widely. One recent study used survey data to estimate that about 30 percent of recipients at a given point in time are experiencing a "serious" barrier, defined as a medical condition that prevents them from seeking work, serious depression, or extensive alcohol or drug involvement. Many other recipients report experiencing a "moderate" barrier, such as having a child with a chronic medical condition or having a medical condition that limits the amount or kind of work a person can do. However, it is important to note that many of the people who reported experiencing even severe barriers had recent work experience—although few of them had worked steadily. About one-fourth of the caseload reported a serious barrier *and* had no recent work history.[17] Another study estimated that between 18 and 21 percent of AFDC families include either a disabled mother or a severely disabled child.[18]

Third, many AFDC recipients have low levels of education and skills, characteristics that may hinder their ability to find and hold jobs. For example, a large proportion—according to some studies, roughly half—of AFDC recipients do not have a high school diploma, and many recipients score poorly on standardized tests of basic reading and math. A recent study of enrollees in the federal/state Job Opportunities and Basic Skills Training (JOBS) program found that at least one-third had test scores reflecting achievement levels that would make it difficult for them to obtain or hold jobs other than those requiring minimal skills.[19] Another study found that one-third of AFDC recipients scored below the 10th percentile on the Armed Forces Qualifying Test (AFQT), a measure that is highly correlated with labor market performance. This study also noted that many recipients with very low skills also have markedly low self-esteem, great fear of change, and certainty that their attempts at self-sufficiency will fail.[20] As noted earlier, long-term recipients are particularly likely to have limited education and skills.

At the same time, it is important to note that most AFDC recipients report that they want to work. In surveys conducted in four cities, 58 to 70 percent of recipients entering a mandatory welfare-to-work program said they agreed with the statement, "It's wrong to stay on welfare if you can get a job, even a job you don't like." About half said they would take a full-time job right away, even if it paid the same as or less than welfare, and the vast majority said they would take a full-time job that paid more than welfare. Most recipients said they would accept a job paying $5 to $7 per hour, if the job included full medical benefits.[21]

Characteristics of the Labor Market for Low-Skilled Women

The second component of the welfare-to-work equation is the labor market—specifically, the number and types of jobs that are likely to be available to welfare recipients seeking work. Although economic and labor market conditions vary dramatically from place to place and over time, the key issues and trends described below are likely to be true to some extent in many areas.

■ *Are there enough jobs?*

This is the subject of a long-running debate: Some maintain that virtually anyone who wants to work can find a job (assuming that he or she is willing to accept low wages), while others argue that job shortages are a critical obstacle to work-focused welfare reforms.

The research evidence on this question is mixed and incomplete. On the one hand, it is clear that the availability of jobs is only one of the factors that determine the size of the welfare caseload. While the number of people receiving AFDC tends to grow during recessions, the correlation between the size of the caseload and the national unemployment rate is far from perfect.[22] In addition, evaluations have found that unemployment rates, job growth figures, and other measures of economic conditions—as long as they are not extreme—do not consistently affect the success of welfare-to-work programs.[23]

On the other hand, if welfare reform policies forced a very large number of recipients into the labor market in a short period (as might happen under a strict national time limit that allows few exceptions), many would probably be unable to find jobs quickly. The U.S. economy has shown a tremendous capacity to absorb new workers—in the past few decades, the number of jobs has expanded to accommodate the baby boom generation and the increase in labor force participation among women—but the labor market cannot respond immediately to a large increase in job-seekers.[24] Moreover, some economists believe that a large influx of low-skilled workers would likely depress wages in this sector of the economy.[25]

Even if policies do not create the extreme situation described above, there are reasons for serious concern. For example, even when the overall job picture is strong, certain groups—notably low-skilled workers and members of minority groups—typically experience above-average rates of unemployment.[26] In addition, several studies of big cities with large numbers of welfare recipients have found evidence of local job shortages; many of the jobs available in these areas may, for all practical purposes, be unavailable to welfare recipients because they require relatively high levels of skills or are located in suburban areas that are not readily accessible by public transportation from inner-city neighborhoods where welfare recipients are concentrated.[27] There may be similar mismatches or shortages in some rural areas. Finally, a number of studies have documented discriminatory practices in employment, including studies that specifically focused on low-income minority women and the kinds of jobs that welfare recipients often seek.[28]

■ *What kinds of jobs are available to welfare recipients?*

Some analysts argue that the implementation of welfare reforms is likely to be affected less by the overall number of jobs available to welfare recipients than by the types of jobs recipients are likely to find. The evidence is more consistent on this point. A variety of studies have shown that the jobs available to low-skilled women tend to pay low wages, experience high turnover, and offer few fringe benefits or opportunities for advancement to higher-wage positions.[29] This fact, coupled with the low probability that poor single mothers will receive steady child support payments, means that many low-skilled single mothers are likely to have difficulty supporting their families for extended periods through work alone. In addition, as discussed in Chapter 5, the fact that welfare recipients who go to work typically earn low wages affects the financial trade-off between welfare and work.

To some extent, these job characteristics are related to broad economic trends that have eroded wages, fringe benefits, and advancement opportunities for low-skilled workers nationwide over the past two decades. But these trends have affected low-skilled men more dramatically than their female counterparts; women's opportunities have generally stagnated rather than having deteriorated. Nevertheless, while their position may not have declined substantially in recent years, low-skilled women still earn much less than low-skilled men.[30]

Studies of employment and training programs for welfare recipients confirm this general picture. One study looked at the characteristics of jobs found by AFDC recipients in a successful welfare-to-work program in California in the early 1990s; this program placed many recipients in education or training activities to try to boost their earning potential. Nevertheless, data from five counties show that only 28 percent of the jobs provided health benefits, 34 percent provided paid vacation days, and 29 percent provided paid sick days. Nearly half of the jobs paid $5 an hour or less.[31]

Key Features of the Welfare System

The third piece of the welfare-to-work puzzle is the welfare system itself. Before anyone sets out to restructure the system, it is important to understand how it has worked in the past.

■ *How much is spent on welfare?*

This question is difficult to answer because, as noted earlier, there is little agreement on which programs should be called welfare.

In the mid-1990s, the federal government spent about $250 billion per year on programs targeted to low-income people—about 17 percent of total federal spending. (States and localities spent about $100 billion per year on such programs.)[32] This figure, however, covers many items, such as job training programs and college grants, that are not usually considered welfare. In addition, the largest program in this category, Medicaid, which cost the federal government nearly $90 billion in 1995, directs more than two-thirds of its spending to the elderly and disabled, groups that are generally not expected to work.[33]

The AFDC program cost about $25.5 billion in 1995, with the cost split between the federal government and the states.[34] AFDC accounted for less than 1 percent of federal spending and about 2.8 percent of state spending.[35] AFDC spending remained roughly constant in real (inflation-adjusted) dollars from the mid-1970s until the program ended. As noted earlier, the number of families receiving AFDC grew during this period, but the average payment per family dropped. Under the 1996 federal welfare legislation, the Temporary Assistance for Needy Families (TANF) block grant has replaced AFDC, the JOBS program, and the Emergency Assistance Program. The TANF grant will be funded at about $16.4 billion annually through 2002. States are required to maintain at least 80 percent of their 1994 spending levels in order to receive their full TANF grant.

Another program commonly considered in discussions of welfare, the Food Stamp program, is funded almost entirely by the federal government; it cost about $27 billion in 1995, accounting for about 2 percent of federal spending. About half the money spent on Food Stamps goes to AFDC recipients; the rest goes to elderly and disabled people, low-income working families, childless adults who do not qualify for AFDC, and others.[36]

■ *How much does each family on welfare get?*

States set the monthly payment amounts for families receiving AFDC; these amounts depend on family size and other factors. AFDC grant levels vary dramatically from state to state. In early 1996, the maximum monthly payment for a family of three with no other income ranged from $923 in Alaska to $120 in Mississippi. The median state paid $389 per month.[37] (Recipients with earnings or other income receive less than the maximum grant.) The value of AFDC benefits has eroded over time: The maximum benefit for a three-person family in the median state dropped by 51 percent in real (inflation-adjusted) dollars between 1970 and 1996.[38]

Most families that receive AFDC also receive other government assistance. For example, almost all are covered by Medicaid, and a typical family of three receiving AFDC could also receive about $280 per month in Food Stamps (nearly 90 percent of AFDC recipients actually receive Food Stamps).[39] During the past two decades, Food Stamp benefits—which generally have kept pace with inflation—have offset about half of the decline in AFDC grant levels (and have also partly compensated for the large state variation in AFDC grant amounts).[40] Finally, about one-fourth of AFDC recipients live in public or subsidized rental housing.[41] The box below discusses how these various forms of public assistance affect the incomes of AFDC recipients compared to the incomes of low-income families not receiving AFDC.

Welfare Grant Levels in Perspective

There has been a heated debate about how to characterize the amount of public benefits available to welfare recipients who are not working, and how this compares to the incomes of low-wage working families who are not receiving welfare.

Someone working 35 hours per week at the current minimum wage ($4.75 per hour) would earn about $720 per month ($8,645 per year) before taxes. When the minimum wage increases to $5.15 per hour in 1997, this amount will grow to about $781 per month ($9,373 per year).

Although in some states a minimum wage worker would earn less than the combined total of AFDC and Food Stamps for a nonworking family of three, a full comparison is much more complex. On the one hand, the working family would be eligible for the federal Earned Income Tax Credit (EITC)—worth up to $3,556 per year in 1996—and might also be eligible for subsidized child care and/or housing assistance (in some states) and some Food Stamps. On the other hand—at least until the 1996 welfare law was enacted—the family receiving AFDC would automatically be eligible for health coverage under Medicaid; in the working family, only the children might be eligible.[1] In addition, the working family would likely face certain expenses—for example, for child care and transportation—that might not apply to the family receiving AFDC.

A 1995 analysis by the U.S. General Accounting Office (conducted before the 1996 minimum wage increase and the 1996 welfare legislation) concluded that the incomes of nonworking AFDC families and low-income working families are similar after the various income sources discussed above are accounted for. The analysis also noted that most families in both groups were living below the federal poverty line ($1,027 per month for a family of three when the study was conducted).[2]

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[1] States are required to provide Medicaid coverage to children under age six in families with income below 133 percent of the federal poverty level. In addition, states must cover children under age 19 who were born after September 30, 1983, and whose family income is below the poverty line.

[2] U.S. General Accounting Office, "Low-Income Families: Comparison of Incomes of AFDC and Working Poor Families," testimony before the U.S. Senate, Committee on Government Affairs, January 25, 1995 (Washington, D.C.: U.S. General Accounting Office, 1995).

Has the welfare system discouraged work?

Many have argued that the rules and "culture" of the traditional welfare system have discouraged recipients from working. Indeed, any program that provides cash benefits to nonworking people will lead some people to work less than they otherwise would. Two additional issues are often cited as well:

- As discussed further in Chapter 5, recipients' benefits under AFDC and other assistance programs are reduced fairly abruptly when they go to work. This means that low-wage work may not raise a family's total income much.
- Many observers have pointed out that the staff who interact with AFDC recipients from day to day are mostly concerned with calculating timely and accurate benefit checks, not with helping recipients become self-sufficient.

Each of these observations is accurate to some extent, but the full story is not so simple. Any public assistance program that targets its benefits to poor people has to provide lower benefits to people with higher income; otherwise, the program would be available to people for whom it is not intended and would cost much more. Thus, the question is not *whether* benefits should be reduced when recipients go to work, but rather *how much* and *how quickly* they should drop. As will be discussed in Chapter 5, policies that allow recipients to keep more of their grants when they work may have several beneficial impacts, but they can also increase welfare caseloads and costs.

Similarly, while it may be true that many welfare eligibility workers—usually the primary point of contact between recipients and the system—focus narrowly on timeliness and accuracy, this should not be surprising, given the public's strong support for rooting out waste and fraud in public programs. Moreover, welfare agencies' tight budgets translate into high caseloads for each worker—eligibility workers are typically responsible for several hundred cases each—which leaves little time for helping clients.[12]

Finally, as will be discussed in later chapters, many states have taken some action to address each of these issues, by changing welfare rules for counting earnings and by reorganizing and retraining welfare agency staff.

What Are the Implications for Welfare Reform?

The information in this chapter helps to illustrate why it is difficult to balance the core goals of welfare reform. In addition to the conflicts inherent in any public assistance program for families (for example, the difficulty of supporting poor children while encouraging their parents to move toward self-sufficiency), the characteristics of welfare recipients and the current labor market make the challenge especially great.

If it were clear that all welfare recipients are capable of supporting their children through steady work, drastically restricting access to welfare might have little effect on children's well-being, and would further all three of the core goals. But the data in this chapter suggest that some fraction of welfare recipients—no one knows how large a fraction—would be unable to support their families for an extended period without assistance. Thus, sharply reducing welfare would likely lower some children's income substantially.

Even if one believes that virtually all recipients *could* support their children without welfare, it would still be necessary to deal with cases where this does not occur. In order to support children, it is necessary either to support their parents or to remove children from their parents' custody. But the latter option is infrequently appropriate, for developmental, ethical, and fiscal reasons. Nor could it be implemented on a large scale, because, in many places, the child welfare and foster care systems are already overburdened. In short, the most direct way to achieve one of the core goals—reducing dependency—would likely hinder attainment of another goal: supporting children.

Similarly, if the primary goal is to raise poor children's incomes, the most direct route—increasing welfare grant levels—would conflict with the goal of reducing dependency. Promoting employment among parents is the obvious alternative; but, given the characteristics of the jobs many welfare recipients are likely to find, making children significantly better off financially would probably require additional public spending to bolster the incomes of low-wage working families.

In view of these complications, the traditional welfare system, despite its deficiencies, has been a relatively inexpensive way to protect children from destitution (although at the cost of increased dependency, which may harm children in other ways). As later sections will discuss, efforts to shift the welfare system from a check-writing operation to a program that motivates and prepares parents for employment require an upfront investment of resources and are likely to encounter implementation challenges. While the research described in the following chapters shows that these efforts can make a significant difference, it will always be difficult to make dramatic progress toward all of the public's goals simultaneously.

Part II

Increasing Work and Self-Sufficiency Among Welfare Recipients: The Research Record

Introduction to Part II

During the past 30 years, as public support for the original vision of AFDC has declined, policymakers have struggled with the question of how to reshape welfare to reflect the conflicting goals described in Chapter 1. The resulting policies have usually fallen into three broad categories, each of which reflects a somewhat different set of goals and different assumptions about the causes of long-term welfare receipt:

- **Welfare-to-work programs.** This approach provides services such as education, training, and job search assistance that help recipients prepare for and find jobs. Increasingly, as welfare has been redefined as a mutual obligation, state and federal policies have *required* recipients to participate in these services, or face sanctions (reduction or termination of their grant).

- **Mandatory work and subsidized employment.** The second approach, closely related to the first, has been to require welfare recipients to work—in community service jobs if necessary—in exchange for public assistance. In some contexts, mandatory work has been seen primarily as a way to ensure that welfare recipients "give something back" in return for assistance. In other situations, work requirements have been seen as a way to reduce welfare caseloads, either by preparing recipients for regular jobs or by making welfare less attractive. Finally, some programs have used public funds to subsidize or create regular, paying jobs for welfare recipients and members of other disadvantaged groups.

- **Policies to change financial incentives.** The third approach has been to bolster the incomes of parents working in low-wage jobs, either by supplementing their paychecks or by providing other assistance such as subsidized child care or health insurance. These policies are designed both to improve the well-being of such families and to make work more financially attractive to nonworking welfare recipients.

These approaches are not mutually exclusive; in fact, many of the state welfare reform strategies that have emerged in the 1990s have included all of these pillars: welfare-to-work and/or work mandates and financial incentive policies that reward work. In addition, more than half the states began experimenting with a fourth approach:

- **Time limits on welfare receipt.** Some versions of time-limited welfare are essentially the same as mandatory work policies: Recipients are required to work after a specific number of months of welfare receipt. Other versions—in which cash assistance is terminated at a certain point—aim to scale back the government's side of the mutual-obligation "bargain" in order to motivate recipients to find jobs and become self-sufficient. Some also see time limits as a way to curtail social problems that they view as linked to long-term welfare receipt.

The federal Personal Responsibility and Work Opportunity Reconciliation Act, signed by President Clinton in August 1996, draws on these basic approaches. The law requires states to ensure that large proportions of welfare recipients are in work or work-related activities and restricts states from using federal funds to provide assistance to most families for more than five years. Although financial incentives are not explicitly part of the law, it gives states broad flexibility to design welfare rules that do more to reward work.

Part II (Chapters 3–6) of this book uses research evidence to answer some key questions about the impacts, costs, and implementation of these four basic welfare

How Success Is Measured and Defined in Part II of This Book

Often, welfare reform policies are judged by how many welfare recipients get jobs and whether the welfare caseload decreases. Thus, if more people are working or the caseload falls after a policy or program is implemented, it is seen as a success.

These criteria are useful in some ways—most people favor more employment and lower welfare caseloads—but they are not very helpful in assessing the effectiveness of particular programs. This is because people constantly find jobs and leave welfare with or without special programs (see Chapter 2). Moreover, both criteria are clearly affected by economic conditions and other external factors that have nothing to do with welfare reform policies. Finally, in most cases, increasing employment and lowering the welfare caseload are not the only goals of welfare reform. Thus, for example, a more complete assessment might require some data about how a policy affects the well-being of children.

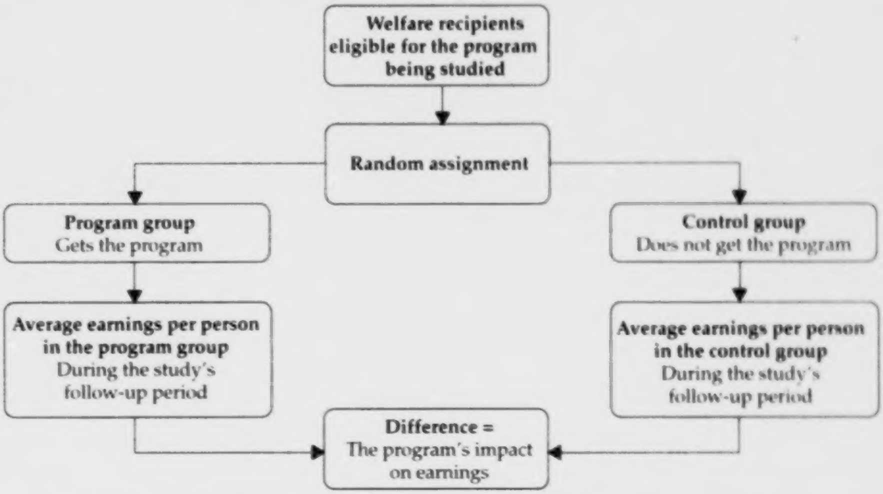
Part II of this book, which describes results from tests of particular policy approaches, relies mainly on studies that separate the effects of welfare reforms from changes that would have occurred anyway. (Part I generally used results from other types of studies to examine issues such as labor market characteristics.) The most reliable (but not the only) way to do this is through a *random assignment* evaluation, in which welfare recipients who are eligible for the program being studied are assigned, by chance, to one of two groups: a *program group* that is subject to the program or a *control group* that is not. The two groups are then studied during a follow-up period, usually lasting several years. Because people are assigned to the two groups through a random process, there are no systematic differences between the groups' members when they enter the study; any differences that emerge between the groups during the follow-up period can reliably be attributed to the program being studied. These differences are known as *impacts*. The accompanying chart illustrates a random assignment research design, using earnings as its example. In this example, the study would find that the program had increased earnings if the average earnings per person were higher for the program group than for the control group.

Most of the studies cited in Part II included two components besides an impact analysis:

- **A benefit-cost analysis.** These analyses use the impact results and data about a program's operational costs to examine the program's financial "bottom line." Often, studies look at benefits and costs from several perspectives. For example, from the perspective of the government budget, benefits may include lower welfare spending and higher taxes paid by former welfare recipients who go to work. Costs include the expenses involved in running the program. For program participants, financial losses include lower welfare payments received and higher taxes paid, while gains may include higher earnings and fringe benefits.
- **An implementation or process analysis.** This part of the study examines in detail how a program operates. This information is useful in interpreting the impact and benefit-cost results, and also provides useful data to administrators seeking to replicate effective programs (or to avoid the features of ineffective ones).

reform strategies. The knowledge base on the first three approaches—and particularly with respect to welfare-to-work programs—is extensive. Although some key questions remain unanswered, the existing research provides a solid foundation for current decision-making. In contrast, time limits are largely untested. The first evaluations of state time-limit programs are in their early stages, and have yielded few firm conclusions. In this case, the research can be used to highlight the likely opportunities and challenges of alternative program designs, and to identify some early implementation lessons from studies of the first state programs.

Measuring a Program's Impact on Earnings


Welfare recipients eligible for the program being studied
Random assignment
Program group
Gets the program
Control group
Does not get the program
Average earnings per person in the program group
During the study's follow-up period
Average earnings per person in the control group
During the study's follow-up period
Difference =
The program's impact on earnings

To a large extent, the studies that are cited in Part II focused on a few key outcomes—typically, employment rates, earnings, rates and amounts of welfare receipt, and, in some cases, family income. However, random assignment can be used to assess a wide range of program impacts. The latest studies of this type examine whether programs or policies affect the social and cognitive development of children, family structure, literacy levels, and fertility, among other outcomes. In addition, random assignment can be used to compare the relative effectiveness of two or more alternative policy approaches (in such studies, people are randomly assigned to one of several groups).

Most of the key studies of welfare reforms over the past 15 to 20 years have used random assignment. As new kinds of policies emerge, other methods are being developed to measure program impacts in situations where random assignment is less powerful. For example, random assignment may not fully measure the impacts of policies that generate broad changes in community attitudes toward welfare, employment, childbearing, and other issues; it is difficult to create a control group that is truly unaffected by such a policy. Similarly, since random assignment can only measure changes that occur after people are assigned to program and control groups, other methods are sometimes used to assess whether policies have affected the number of people who apply for welfare in the first place (these are known as "entry effects"). Thus, in some cases, Part II cites studies that examined issues such as these without using random assignment.

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Chapter 3

Welfare-to-Work Programs

The concept of providing education, training, and job search assistance to help welfare recipients prepare for and find jobs can be traced back at least to the 1960s, when the Work Incentive (WIN) program was created to fund employment-related services for AFDC recipients. Over time, a growing share of recipients have been *required* to enter work-related activities; in 1971, most AFDC recipients without preschool children were required to register for WIN services (although not necessarily to participate in them). Later, the Family Support Act of 1988 extended participation mandates to a larger share of the caseload, shifted the emphasis to basic education and other skill-building activities, and, for the first time, required states to ensure that specific percentages of AFDC recipients were participating in work-related activities provided through the Job Opportunities and Basic Skills Training (JOBS) program.[1]

In the 1990s, some states have sought to further expand the number of AFDC recipients who are required to participate in welfare-to-work programs, increase the penalties for those who fail to comply with these mandates, and shift the emphasis of these programs away from longer-term education and training services and toward activities, such as job search assistance, that are designed to move recipients into the labor market quickly. Although some provisions of the 1996 federal welfare law (see the box on page 29) emphasize mandatory work (discussed in Chapter 4) over work-*related* activities such as job search assistance and training, the welfare-to-work approach is likely to remain a central element of many states' reform efforts.

Because welfare-to-work programs have been the most commonly used approach to welfare reform, a number of careful studies have examined this approach in detail. This chapter draws on a substantial body of research results to answer some of the most important questions about welfare-to-work programs:

- What can welfare-to-work programs accomplish, and what are their limitations?
- How do welfare-to-work programs affect government budgets and participants' financial well-being?
- Which works best: moving welfare recipients into jobs quickly, building their skills first, or a mixed strategy?
- What other factors affect the success of welfare-to-work programs?
- What is the highest feasible rate of participation in welfare-to-work programs?
- What strategies work best for teenagers in households receiving AFDC?
- What are the biggest unanswered questions about welfare-to-work programs?

The TANF Work Requirements

In order to qualify for their full Temporary Assistance for Needy Families (TANF) block grant, states must ensure that a certain percentage of recipients are engaged in specific work activities. The required participation rate increases from 25 percent in 1997 to 50 percent in 2002 (there are separate, higher rates for two-parent families). However, a state's required rate for a particular year may be reduced if its caseload in the prior year was lower than its caseload in 1995. Thus, states with decreasing caseloads will face lower participation rates. States that fail to meet the rates may be penalized by having their block grant reduced.

To count toward the rates, a recipient must be in an allowable activity for at least 20 to 30 hours per week, depending on the year. (The requirement is 20 hours for single parents with children under six, and 35 hours for two-parent families.) In general, at least 20 hours of participation must be in one of a set of allowable activities that includes subsidized and unsubsidized employment, work experience, on-the-job training, and community service programs. Job search assistance is allowable, but only for six weeks per person in most cases, and vocational educational training is permitted for up to 12 months per individual (although there is a cap on the number of people who can meet the requirements through this activity). Although these rules limit the conditions under which education, training, and job search (the most frequently used activities under JOBS) count toward the rates, states are free to use TANF funds to provide these services, and to require recipients to participate in them.

In general, the "base" for the participation rate includes all cases receiving assistance that include an adult, minus those in sanction status. However, states may choose to exempt single parents with children under age one, and not count them in the rate.

Finally, states must require recipients who have received assistance for two months and who are not engaged in work to participate in community service employment, and the state's TANF plan must require recipients to engage in work once they have received assistance for 24 months. Both of these provisions allow states to define "work" and the other elements of the mandates, and neither includes an explicit penalty for states that fail to meet the requirements.

For more detailed information, see the Appendix.

■ *What can welfare-to-work programs accomplish, and what are their limitations?*

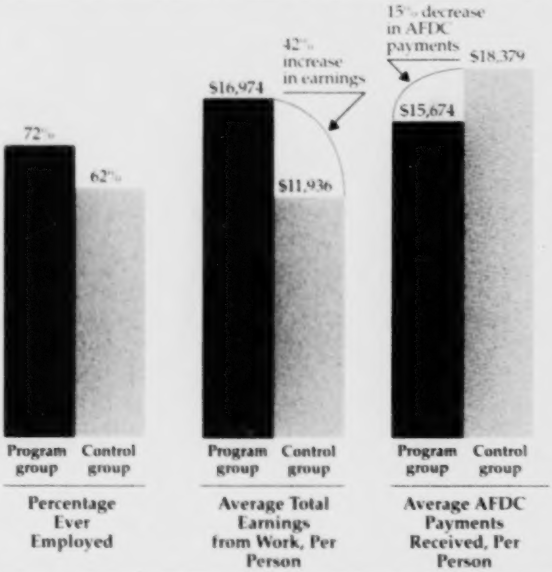
The best welfare-to-work programs generate significant changes. Figures 3.1 and 3.2 show the results for a large-scale welfare-to-work program called GAIN (Greater Avenues for Independence) in Riverside County, California (one of the 25 most populous counties in the United States). During the period when it was studied, GAIN required most AFDC recipients with no preschool children to participate in specific education, training, or job search activities throughout their time on welfare.

As Figure 3.1 shows, over the first five years after they became subject to GAIN's requirements, 72 percent of people in the GAIN program group in Riverside were employed at some point, compared to 62 percent of the people in a control group that was not subject to GAIN. During the same period, members of the GAIN program group earned, on average, 42 percent more than control group members and received 15 percent less in AFDC payments.[2] (The earnings and AFDC amounts shown in Figure 3.1 are averaged over everyone in the program and control groups, most of whom did not work or receive AFDC continuously during the five-year period—see the box below.) Over time, people in the control group got jobs and left welfare on their own, but the program continued to make a substantial difference: As shown in Figure 3.2, the average earnings of GAIN program group members were still substantially higher than those of control group members, even after five years.

The reduction in AFDC and other public assistance spending generated by Riverside's GAIN program (and the taxes paid by participants who found jobs because of GAIN) more than offset the cost of running the program—a rare achievement for any public program. In fact, over five years, Riverside GAIN saved taxpayers almost $3 for

Figure 3.1

Results for the Riverside County GAIN Program Over a Five-Year Follow-Up Period



SOURCE: Data from Stephen Freedman, Daniel Friedlander, Winston Lin, and Amanda Schweder, *GAIN: Five-Year Impacts on Employment, Earnings, and AFDC Receipt* (New York: MDRC, 1996), Table 1.

Understanding Impact Results

Impact results from random assignment studies are frequently misunderstood. For example, Figure 3.2 shows the average quarterly earnings for the program and control groups in Riverside County's GAIN program (earnings data are often reported in three-month periods). In the 12th quarter, program group members earned an average of $898 and control group members averaged $660 (the program group figure is 36 percent higher).

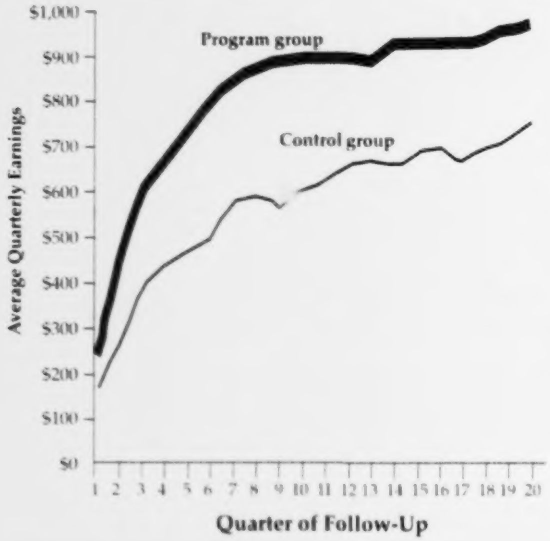
These figures do *not* mean that GAIN participants typically found jobs paying only $898 per quarter (which would translate into about $3,600 per year), nor that program group members found jobs that paid 36 percent more than the jobs found by control group members. The accompanying table examines quarter 12 to reveal what the results mean.

This table illustrates two important points. First, most people in both groups did not work at all during quarter 12. Nevertheless, the averages are calculated for everyone in the two groups. In other words, about 68 percent of program group members and 76 percent of control group members were counted as zeros in calculating the averages.

Second, as shown in the second row of the table, program group members who worked earned about the same amount, on average, as control group members who worked (these figures include people who worked part-time or worked for only part of the quarter), suggesting that the program did not help people get higher-paying jobs. Rather, the

Figure 3.2

Average Earnings Per Quarter for Program and Control Group Members in the Riverside County GAIN Program



SOURCE: Data from Stephen Freedman, Daniel Friedlander, Winston Lin, and Amanda Schweder, *GAIN: Five-Year Impacts on Employment, Earnings, and AFDC Receipt* (New York: MDRC, 1996), Table 1.

every $1 that was spent to run it; net public spending for the nearly 4,500 people in the GAIN program group was about $13 million less over the five-year period than it would have been if GAIN had not existed.[3] The Riverside program also made participants slightly better off financially: Their average gains (from higher earnings and fringe benefits) outweighed their average losses (from lower AFDC payments and higher tax payments) by about $2,000 per person over five years.[4]

The Riverside results are unusually strong, but many welfare-to-work programs, operating in diverse environments, have made a difference. For example, the box on pages 32–33 shows results from the six counties that were part of the GAIN study, all of which produced at least some positive impacts. These results are important

program raised average earnings by increasing the number of people who worked. (As discussed below, some programs do the opposite: They raise average earnings by helping people get higher-paying jobs, but do not increase the number of people who work.)

The same issue applies to the earnings and AFDC totals shown in Figure 3.1: The averages include everyone in the two groups, even though most people worked for only a fraction of the five-year period. Similarly, most people did not receive AFDC continuously. (As with earnings, programs can reduce average AFDC payments by reducing the number of people receiving AFDC and/or by reducing the average payment per recipient.)

Outcome	Program group	Control group
Percentage of group members who worked at all during quarter 12	32.0%	24.2%
Average earnings in the quarter for those who worked at all	$2,806	$2,727
Average earnings in quarter 12 for the full group	$898	$660

Making a Difference in Diverse Environments: Fifth-Year Results for California's GAIN Program

The accompanying table summarizes recently released long-term results from the six diverse counties that were part of a large-scale evaluation of GAIN. The panel below shows how the programs affected participants' earnings in the fifth year of the follow-up period, and the panel opposite shows the effects on welfare receipt in the same year. In both cases, results are presented separately for participants who entered GAIN with a high school diploma (or GED certificate) and basic literacy skills, and those who lacked a diploma or literacy skills. Members of the latter group—who accounted for 50 to 80 percent of the total—were required to enter basic education classes unless they chose to look for a job first. Members of the former group usually started by looking for jobs; if they did not find one, they sometimes received job training or other services.

	Average Total Earnings Per Person in Year 5			
County and group	Program group	Control group	Difference (impact)	Percentage change
Alameda				
H.s. graduate with basic skills[1]	$6,239	$5,158	$1,081	21%
Lacked h.s. diploma or basic skills[2]	2,411	2,260	151	7
Butte				
H.s. graduate with basic skills	6,347	4,752	1,594 *	34
Lacked h.s. diploma or basic skills	2,869	1,500	1,368 **	91
Los Angeles				
H.s. graduate with basic skills	4,443	3,783	659	17
Lacked h.s. diploma or basic skills	2,002	1,885	117	6
Riverside				
H.s. graduate with basic skills	5,595	4,691	904 *	19
Lacked h.s. diploma or basic skills	2,680	1,725	955 ***	55
San Diego				
H.s. graduate with basic skills	6,327	5,364	963 **	18
Lacked h.s. diploma or basic skills	2,709	2,571	138	5
Tulare				
H.s. graduate with basic skills	5,932	5,726	206	4
Lacked h.s. diploma or basic skills	2,663	1,821	842 ***	46

SOURCE: Stephen Freedman, Daniel Friedlander, Winston Lin, and Amanda Schweder, *GAIN: Five-Year Impacts on Employment, Earnings, and AFDC Receipt* (New York: MDRC, 1996).

NOTES: The amounts are expressed in nominal dollars; they are not adjusted for inflation. People entered the GAIN study between early 1988 and mid-1990; thus, "year 5" occurred between 1993 and 1995, depending on the individual.

Impact estimates marked with asterisks are considered to be statistically significant. Those marked with three asterisks are statistically significant at the 1 percent level—that is, there is at least a 99 percent probability

As the table shows, Riverside County was unusual because it substantially increased earnings and reduced welfare receipt for both groups; moreover, Riverside's program was the least costly to operate and generated the largest return for taxpayers. But Riverside was not a "special case." Although the counties used very different approaches to implementing GAIN, most of them generated positive results for at least one of the groups. In addition, the fact that there were still large differences between the program and control groups in several counties after five years is striking. As discussed later in this chapter, the differences between groups usually diminished over time in earlier welfare-to-work programs that required and helped participants to look for jobs, but did not provide much training or education.

	Average Total AFDC Payments Per Person in Year 5			
County and group	Program group	Control group	Difference (impact)	Percentage change
Alameda				
H.s. graduate with basic skills	$3,166	$3,325	$-158	-5%
Lacked h.s. diploma or basic skills	3,657	4,177	-520 **	-12
Butte				
H.s. graduate with basic skills	1,502	1,643	-141	-9
Lacked h.s. diploma or basic skills	1,862	2,308	-446	-19
Los Angeles				
H.s. graduate with basic skills	2,790	3,001	-211	-7
Lacked h.s. diploma or basic skills	3,295	3,411	-116	-3
Riverside				
H.s. graduate with basic skills	1,646	1,871	-225	-12
Lacked h.s. diploma or basic skills	2,253	2,594	-341 **	-13
San Diego				
H.s. graduate with basic skills	1,793	2,027	-234 *	-12
Lacked h.s. diploma or basic skills	2,940	3,072	-132	-4
Tulare				
H.s. graduate with basic skills	2,085	2,381	-296	-12
Lacked h.s. diploma or basic skills	3,014	3,215	-202	-6

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that the program actually had an impact. Two asterisks indicate that the estimate is statistically significant at the 5 percent level, and one asterisk indicates that the estimate is statistically significant at the 10 percent level.

1. For all counties, individuals in this group had a high school diploma or a GED certificate, and scored above 215 on both the math and reading parts of the Comprehensive Adult Student Assessment System (CASAS) when they entered GAIN.

2. For all counties, individuals in this group lacked a high school diploma or a GED certificate, or scored below 215 on either part of the CASAS when they entered GAIN.

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because GAIN is the nation's largest welfare-to-work program—during the period of the evaluation, it accounted for 13 percent of federal JOBS spending—and because California includes about one-sixth of the national AFDC caseload.[5] More recently, two-year results from three sites in a study of the JOBS program show increases in earnings and reductions in welfare receipt that are comparable to the GAIN results at a similar point.[6]

At the same time, welfare-to-work programs are not a panacea. Even the best programs do not, by themselves, come close to ending poverty or welfare receipt: In Riverside, people in the GAIN program group typically got the same types of low-paying jobs as control group members. Thus, three years after entering GAIN, 41 percent were receiving AFDC and 81 percent had income at or below the poverty line.[7] Moreover, many of the people who found jobs lost them relatively quickly; while 67 percent of Riverside GAIN program group members worked at some point within three years after entering GAIN, only 31 percent were working at the end of the third year. Finally, most other programs that have been tested have not generated impacts as large as those measured in Riverside. Nonetheless, when well implemented, this approach can simultaneously reduce dependency, save money for taxpayers, and, in some cases, make participants somewhat better off financially; this fact is striking, given the usual conflict among these goals.

■ *How do welfare-to-work programs affect government budgets and participants' financial well-being?*

As discussed in the introduction to Part II, evaluations of welfare-to-work programs usually include a benefit-cost analysis that weighs the financial gains and losses generated by the program from the perspectives of government budgets and welfare recipients who were eligible for the program. These results are often seen as the program's financial "bottom line."

Measuring costs and savings for government. Welfare-to-work programs affect government budgets in two ways. On one side of the ledger, the programs incur costs for staff salaries and overhead, child care assistance for participants, and other items that would not exist in a simple check-writing program. On the other side, the programs often reduce public spending by lowering welfare receipt, and raise revenues by increasing the number of working people who pay taxes. The net impact for taxpayers depends on the relative size of these effects.

This financial calculation is straightforward, but the reality for a state or municipal budget is more complicated. For example:

- The costs of welfare-to-work programs tend to be spread across many agencies. For example, a welfare agency may administer a program, but services may be provided by school districts, community colleges, or other organizations with separate funding streams. Agencies other than the welfare department bore about one-third of the cost of California's GAIN program and a little less than one-half of the cost of Florida's JOBS program, Project Independence.[8] Similarly, both costs and savings accrue to different levels of government. Funding for some public assistance programs, such as Medicaid, is shared by federal, state, and, in some cases, local governments. Thus, if a program causes Medicaid spending to decrease, the savings would be shared. In contrast, Food Stamp benefits are entirely federally funded. Under the block grant arrangement established by the 1996 welfare law, savings in cash assistance spending will, in principle, go exclusively to states; the amount of federal funding for each state is essentially fixed for six years.

- Programs spend money on people who do not actually receive services, and these people may be affected by the programs. This is particularly the case in mandatory programs: People who are subject to mandates may find jobs or report their employment in order to avoid participating (that is why it is important to look at results for everyone subject to the program, not just those who participate). Mandatory programs spend staff time (and thus money) monitoring and enforcing mandates and imposing sanctions on nonparticipants.
- Some of the money spent on a welfare-to-work program would have been spent anyway, even if the program did not exist. When there is a control group, it is easy to see that people who are not part of the program obtain education and training services in their communities on their own. Net costs—calculated by subtracting the cost of services received by control group members from the costs for program group members—were about one-third of gross costs in Project Independence and about two-thirds of gross costs in GAIN.[9]

To determine the bottom line for government budgets, the studies discussed in this book usually compare the total net cost of the program with the total savings for all agencies and levels of government (some of the studies also break out the results for federal and state governments). To get an accurate measure of per-person costs and benefits, cost and savings figures are calculated per person enrolled in or targeted by the program—that is, per member of the program group—not per actual participant.

Finally, it is important to consider the time period over which costs and benefits are measured. Welfare-to-work programs, like many other types of investments, generate higher costs initially and save money later. Programs start spending money on participants when they enroll (or even before), providing services such as job search assistance, training, and counseling. If the services are successful, the participant eventually finds a job and leaves welfare (or receives lower benefits), starting a stream of savings. Every month that she stays off welfare and pays taxes—assuming that she would not have done this on her own, without the program—taxpayers save money.

This pattern of costs and savings helps to explain an important but paradoxical finding from the research on welfare-to-work programs: On the one hand, as discussed below, studies show that these programs often save more than they cost, resulting in a net decrease in public spending. On the other hand, government needs to spend money to put these programs in place. In fact, both statements are true: An upfront investment during the first year or two after a program is implemented or greatly expanded is needed in order to generate savings that typically continue for many years.[10]

The studies discussed in this book usually look at a five-year period; that is, costs and savings are measured during the first five years following each person's entry into the study. This is generally long enough to get a clear picture of the bottom line. However, it is important to note that, until recently, evaluations have not specifically examined how programs affect participants' children. If children are affected in ways that in turn alter government spending, these data may dramatically change the benefit-cost calculations over the very long run. (This issue is discussed further in Chapter 7.)

Factors that affect public costs and savings. Welfare-to-work programs that have been studied have generated very different levels of costs and savings. Several factors seem to affect these results:

- **Service mix.** As will be discussed in the next section, different welfare-to-work programs stress different types of services. In general, services such as education or job training that last a relatively long time (people may remain in such activities for a year or two or more) are costlier than services, such as job search assistance, that aim to find participants jobs quickly. In addition, as will be discussed in the next section, the service mix affects the timing of costs and savings: Models focusing on quick employment are likely to start generating savings faster by helping people move off welfare quickly.
- **Target group.** Several characteristics of the participants may affect costs. For example, programs that target mothers with very young children are likely to incur significantly higher costs for child care. In Florida's Project Independence, the gross cost of child care per program group member was about 20 times higher for those with a preschool child than for those with no preschool children.[11] Savings are also likely to be affected by the target group; for example, if a program mostly serves people who could move off welfare without assistance, it would be unlikely to generate significantly larger reductions in welfare spending than would be achieved without the program.
- **Management practices.** Programs are likely to generate quite different costs even if the target group and service mix are similar. These differences are driven by a broad set of factors, including wage scales, overhead costs, and client/staff ratios. In addition, a number of management practices may affect costs. For example, as discussed further in the next section, staff in the Riverside GAIN program kept close tabs on participants in education programs and sometimes referred them to job search if they failed to attend regularly; this probably contributed to shorter average stays in education and lower costs.[12] Similarly, the degree to which a program emphasizes formal versus informal child care for participants' children is likely to affect program costs.[13]

Costs and savings in specific programs. Table 3.1 shows the per-person costs of several welfare-to-work programs that have been tested in the past 10 to 15 years. The cost figures have been adjusted for inflation: All are expressed in 1993 dollars.[14]

In the 1980s, several studies tested simple welfare-to-work programs that mostly required and helped participants look for jobs (the results of these studies are discussed in the next section). These programs were relatively inexpensive, in part because participants usually remained in program activities for only a few weeks. The combined costs for all agencies ranged from about $200 per program group member in an Arkansas program to about $1,200 in San Diego (welfare agencies bore most of these costs). When the cost of services received by control group members was subtracted out, the *net* cost to all agencies ranged from less than $200 to about $800 per person.

California's GAIN program cost considerably more to operate, reflecting primarily its heavier use of longer-term education and training activities. The cost for all agencies combined was about $4,400 per program group member across all six counties in the study. But costs varied dramatically from county to county: The cost for all agencies ranged from less than $3,000 per program group member in Riverside County to more than $6,600 in Alameda County (Oakland).[15]

Across all six counties, welfare agencies accounted for about $2,900 of the $4,400 in per-person costs for GAIN (about two-thirds of the total). About 60 percent of the welfare agency costs went for activities that could be classified as "case management"

Table 3.1

Per-Person Costs for Various Welfare-to-Work Programs Over Five Years

Program	Cost for the welfare agency only	Cost for all agencies combined	Net cost (cost per program group member minus cost per control group member)
Job-search-only programs			
Arkansas WORK	$168	$223	$162
San Diego Employment Preparation Program	$956	$1,186	$798
Virginia Employment Services Program	$620	$840	$591
Mixed programs (job search plus education and/or training)			
San Diego SWIM	$1,088	$1,997	$1,188
GAIN (all counties)	$2,899	$4,415	$3,422
GAIN (Riverside)	$2,073	$2,963	$1,597
Florida Project Independence	$550	$1,304	$1,150
Employment-focused JOBS programs (costs over two years)	$945–$2,036	$1,227–$3,109	$1,108–$2,277

SOURCES: Judith M. Gueron and Edward Pauly, *From Welfare to Work* (New York: Russell Sage Foundation, 1991), p. 256 (for Arkansas WORK, San Diego Employment Preparation Program, and Virginia ESP); Gayle Hamilton and Daniel Friedlander, *Final Report on the Saturation Work Initiative Model in San Diego* (New York: MDRC, 1989), p. 120; James Riccio, Daniel Friedlander, and Stephen Freedman, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program* (New York: MDRC, 1994), p. xli; James J. Kemple, Daniel Friedlander, and Veronica Fellerath, *Florida's Project Independence: Benefits, Costs, and Two-Year Impacts of Florida's JOBS Program* (New York: MDRC, 1995), p. ES-23; U.S. Department of Health and Human Services and U.S. Department of Education, *The JOBS Evaluation: Program Implementation and Two-Year Participation Patterns, Costs, and Impacts in Three Sites*, prepared by Gayle Hamilton, Thomas Brock, Mary Farrell, Daniel Friedlander, and Kristen Harknett (Washington, D.C.: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, forthcoming).

NOTES: All costs are expressed in 1993 dollars.

As noted in the table, the costs for the employment-focused JOBS programs (the last row of the table) cover two, rather than five, years. Previous studies have found that the large majority of costs are concentrated in the first two years of the study's follow-up period.

(conducting program orientations, assessing participants and assigning them to activities, monitoring their attendance and responding to noncompliance, and so forth). Nonwelfare-agency costs were mostly for providing education or training.[16] Child care accounted for only about 5 percent of GAIN costs, in part because mothers with preschool children were not required to participate during the period when the study took place; activities for those with no preschool children were often scheduled around school hours to reduce the need for child care.[17] GAIN's *net* cost to all agencies was about $3,400 per program group member.

Other programs have generated mid-range costs. The San Diego Saturation Work Initiative Model (SWIM)—a 1980s demonstration program that provided a mix of job search, education, training, and unpaid work experience and achieved high levels of participation—cost the welfare agency about $1,100 per program group member; the per-person cost for all agencies was about $2,000. The cost of Florida's Project Independence—a mixed program that emphasized short-term job search activities and that encountered rising caseloads and consequent funding constraints during the study period—was only about $550 for the welfare agency and $1,300 for all agencies combined. Both SWIM and Project Independence had net costs of about $1,000 per program group member. Recent data from three JOBS programs that used a mix of services but emphasized quick job placement are in the same general range: The programs cost about $1,000 to $2,000 per person for the welfare agency, and $1,200 to $3,000 per person for all agencies combined; net costs ranged from about $1,100 to $2,300 per person.[18]

As explained earlier in this chapter, the fiscal bottom line for taxpayers depends on whether a program produces enough welfare savings and increased tax revenues to offset its operational costs. Although this is an important measure of program success, it is also useful to point out that most public programs are not specifically intended to reduce spending: They are intended to achieve a specific goal, such as defending the country from military threats, keeping roads and bridges repaired, or, in this case, reducing dependency and/or poverty. Some communities might decide that it is worthwhile to spend more to achieve certain welfare reform goals, while others might not.

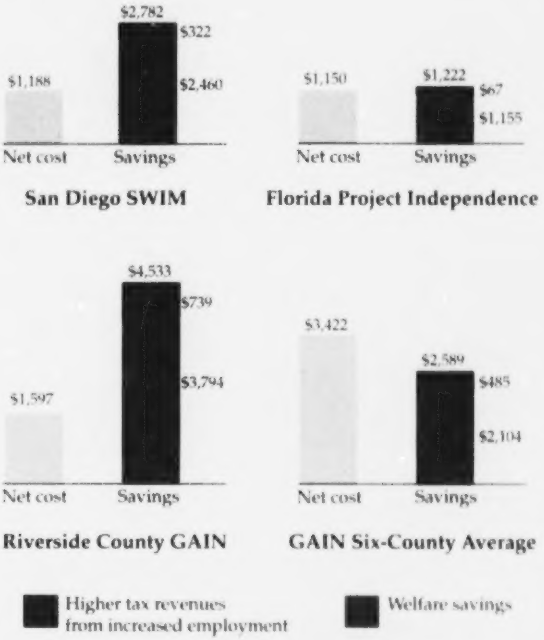
Many welfare-to-work programs have broken even or produced a net gain for taxpayers over a five-year period. The programs may not have broken even in the first years (where most of the costs were concentrated), but over time, savings accumulated and eventually outweighed the upfront costs. The 1980s job search programs returned taxpayers between $1 and $6 for every dollar invested in the program.[19] Some mixed programs—models that provided both job search assistance and skill-building services—have also achieved this result: As shown in Figure 3.3, the San Diego SWIM program produced a payoff of $2.34 per dollar invested, and Riverside's GAIN program returned $2.84 for each dollar invested (these figures are obtained by dividing the per-person savings by the per-person net cost). In contrast, Florida's Project Independence generated savings that were about equal to costs, and in three of the six counties in the GAIN evaluation, savings were not great enough to offset costs.[20] As discussed further in the next section, programs that focus on quick employment—whether they provide a mix of services or just job search assistance—have fairly consistently broken even or saved money for taxpayers. Programs with a stronger emphasis on skill-building services have been less likely to achieve this result—although they have generated other positive impacts.

Complications. In principle, the information in this section means that an upfront investment in a well-administered welfare-to-work program should lead to lower overall public spending down the road. However, upfront investments are not always easy to justify in an environment of annual or biannual budgets.

Moreover, these cost and savings dynamics are easier to identify in studies than in the real-life world of state budgets, where there are no control groups. In a period of economic expansion, states often cite their reform policies to explain shrinking welfare caseloads. In contrast, a recession may drive up welfare caseloads and costs, dwarfing the effect of a welfare-to-work program. Although random assignment studies have shown that welfare-to-work programs can generate savings under a variety of economic conditions, it may be difficult to sustain funding for such a program during an economic slowdown; without a control group, it is hard to prove that welfare spending would have been even higher had the program not been in place. For example, the Riverside GAIN program, described earlier, significantly reduced AFDC spending (relative to a control group) during a period when the county's overall AFDC caseload was rising. Without the control group, it would have been difficult to tell that the program was working well.

Figure 3.3

The Effect of Various Welfare-to-Work Programs on Government Budgets: Per-Person Costs and Savings Over Five Years



SOURCES: James Riccio, Daniel Friedlander, and Stephen Freedman, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program* (New York: MDRC, 1994), p. 254; James J. Kemple, Daniel Friedlander, and Veronica Fellerath, *Florida's Project Independence: Benefits, Costs, and Two-Year Impacts of Florida's JOBS Program* (New York: MDRC, 1995), p. ES-25; Daniel Friedlander and Gayle Hamilton, *The Saturation Work Initiative Model in San Diego: A Five-Year Follow-Up Study* (New York: MDRC, 1993), p. 57.

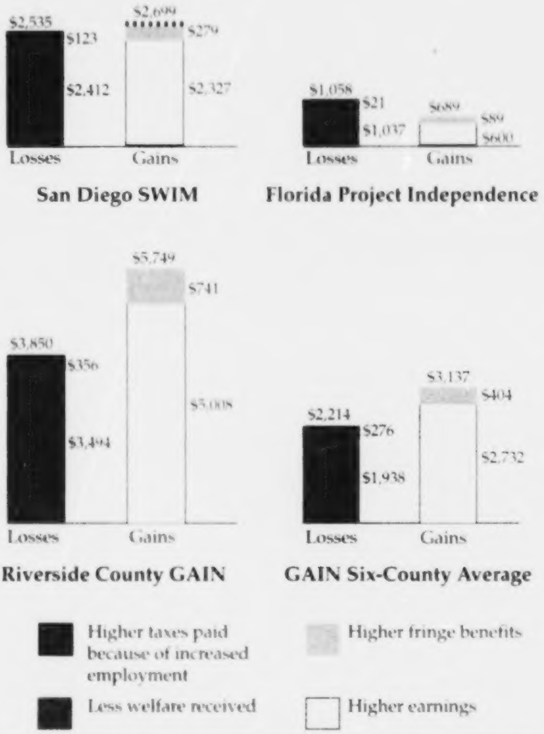
NOTES: Figures are in 1993 dollars.
Totals may be discrepant because of rounding.

The participant perspective. The typical benefit-cost analysis also looks at results from the perspective of program group members. For them, financial costs include lower public assistance benefits and higher taxes paid, and benefits include higher earnings and fringe benefits. This focus on family income is limited in some respects—there are many nonmonetary benefits and costs associated with working or being on welfare—but it is critical nonetheless.

Several of the programs discussed in this chapter made participants better off financially; their gains outweighed their losses. However, the differences are not large in most instances. As shown in Figure 3.4, the GAIN evaluation found that the average net gain for participants was about $900 over a five-year period. (This figure is obtained by subtracting the per-person loss from the per-person gain.) The largest net gain, about $1,900, was in Riverside, while participants in Los Angeles experienced a net loss.[21] Participants in the San Diego SWIM program were no better off financially—gains and losses were almost equal—and participants in Florida's Project Independence experienced a small net loss.[22] (These gains and losses are measured relative to the control group. The figures are not a "before" and "after" comparison: They do not show whether program group members were financially better off at the end of the follow-up period than they were when they enrolled in the program.)

Figure 3.4

The Financial Effects of Various Welfare-to-Work Programs on Welfare Recipients: Per-Person Gains and Losses (Relative to the Control Group) Over Five Years



SOURCES: James Riccio, Daniel Friedlander, and Stephen Freedman, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program* (New York: MDRC, 1994), p. 252; James J. Kemple, Daniel Friedlander, and Veronica Fellerath, *Florida's Project Independence: Benefits, Costs, and Two-Year Impacts of Florida's JOBS Program* (New York: MDRC, 1995), p. ES-25; Daniel Friedlander and Gayle Hamilton, *The Saturation Work Initiative Model in San Diego: A Five-Year Follow-Up Study* (New York: MDRC, 1993), p. 57.

NOTES: All figures are in 1993 dollars.

Totals may be discrepant because of rounding.

The small segment at the top of the SWIM "Gains" bar refers to support services and allowances.

■ *Which works best: moving welfare recipients into jobs quickly, building their skills first, or using a mixed strategy?*

The welfare-to-work programs that have been tested fall at various points on a continuum. At one end are models that aim to move participants into jobs quickly by requiring and/or helping them look for work. At the other end are models that rely heavily on skill-building services, such as education or occupational skills training, to prepare participants for higher-wage jobs.

Between these two poles lie a variety of "mixed" models that stress both approaches to some extent and for different groups of welfare recipients.

There is heated debate about which of these strategies works best. Some contend that education and training are ineffective, and that welfare recipients do best by working their way up from entry-level jobs. Others argue that welfare recipients who are pushed into the labor market too quickly typically obtain unstable, low-wage jobs and end up back on welfare. The enactment of the 1996 welfare law increases the saliency of this issue. The law's work requirements limit the conditions under which education, training, and job search assistance count toward federal participation rates. But other aspects of the law, such as the fixed overall level of federal funding and the five-year limit on funding for most families, will push many states to favor whatever strategies are best able to help recipients—particularly long-term recipients—find and hold jobs.

At this point, the evidence suggests that the story is more complicated than the rhetoric on either side of the debate. In fact, the answer to the question depends in part on the relative importance of different goals, such as saving money, reducing welfare receipt, and improving participants' financial well-being. In addition, as discussed further in the next section, the mix of services is only one of the factors that determine how well a program works.

The answer also depends on the time horizon. As noted in the previous section, programs oriented toward quick employment are bound to do better at first because participants start finding jobs and leaving welfare more quickly. Moreover, these programs are inexpensive to run, so they have a head start at saving money for taxpayers. In contrast, programs with a stronger emphasis on education or training cost more to operate and keep people on welfare longer initially. However, in the long run, these programs might do better for both participants and government budgets if they help people find higher-paying, more stable jobs that keep them off welfare longer. There is an increasingly strong connection between education and skills, and success in the current labor market.[23]

Early results from the JOBS Evaluation, which is testing quick employment and longer-term skill-building models side by side in the same locations (Atlanta, Georgia; Grand Rapids, Michigan; and Riverside, California), confirm that the quick employment programs look better over the first two years of the follow-up period. However, AFDC and employment impacts (but not earnings impacts) were similar for the two approaches by the end of the two-year period. Thus, more follow-up is needed in order to judge the long-term effects of both strategies.[24] In the meantime, the best available evidence comes from comparing the results of programs in different locations that used different strategies. These comparisons are imperfect—many factors other than the program model may explain why programs generate different results—but they are useful nonetheless.

Is job search enough? The low-cost end of the continuum has been studied extensively. In the 1980s, a number of rigorous evaluations tested simple welfare-to-work programs that sought to move people into the labor force quickly, primarily via job search activities. These programs, which operated in Arkansas, Illinois, Louisville, San Diego, and Virginia, required participants to look for jobs on their own for several weeks or to enter group job clubs that provided instruction in job-seeking skills and then assisted participants in looking for work. The programs offered few opportunities for participants to get education or training before job-hunting. In general, recipients participated in program activities for relatively short periods; they were not required to participate continuously throughout their time on welfare.

The results were remarkably consistent: Almost always, the job search programs that provided more intensive help to participants caused some welfare recipients to find jobs faster than they otherwise would have. (One program that was very inexpensive and did little to assist participants with their job search generated no significant impacts on employment or earnings).[25] As a result, participants' average earnings and employment rates were higher than the corresponding figures for control group members, at least initially. This can be seen in the "year 3" figures in the bottom panel of Figure 3.5, which illustrates the results of two of the 1980s job search programs. (Direct comparisons between the two programs' results are inappropriate because of differences in local labor markets and participant characteristics.) Moreover, as discussed in the previous section, the programs generally produced savings (through reduced welfare and other spending) that more than offset the costs of running the programs, which were low.

On the other hand, participants in the job search programs typically found the same kinds of low-wage jobs as control group members. Participants relied more on their own earnings and less on welfare during the study periods, but members of the program group were not much better off financially than control group members (although they may have felt better off in other ways); in other words, relative to the control group, program group members lost almost as much in welfare as they gained in earnings. Job loss was common in both groups, and 40 percent of those who left AFDC returned within one year.[26] In addition, the job search programs were less effective in increasing earnings for the most disadvantaged recipients, who faced the greatest barriers to employment. Finally, the job search programs usually failed to make a lasting difference; by the end of five years, the control group members usually had nearly "caught up" to the program group and were almost as likely to be employed or on welfare. Of course, this did not erase the earnings gains and welfare savings that had accumulated over the first several years.[27]

The results of the 1980s studies helped shape the Family Support Act of 1988.[28] The JOBS program, created through that legislation, was designed to build on the earlier programs by targeting more disadvantaged recipients and emphasizing education and training in addition to job search. Although the Family Support Act allowed states considerable flexibility in designing JOBS programs, in most places the program was implemented with a strong focus on basic education and/or training.[29]

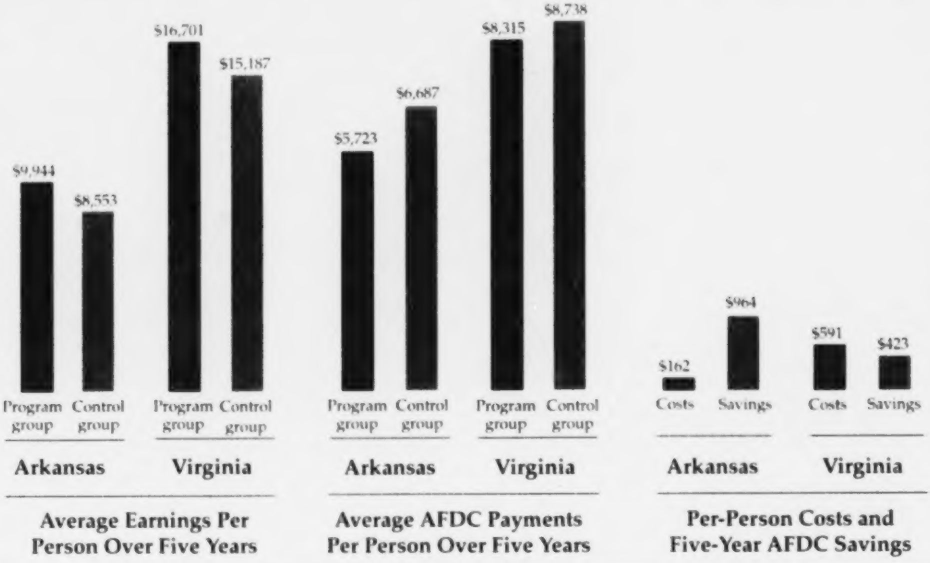
What do we know about the impacts of education or training? Several studies have examined large-scale welfare-to-work programs that employed mixed strategies—providing both job search assistance and skill-building services. These programs had different ways of determining the activity assignments for particular participants (see the box on page 45).

Although the knowledge base for mixed programs is extensive, the available data are limited in two respects. First, long-term data are needed to fully assess programs that provide substantial amounts of education and/or training, and such data are available only in a few cases. Second, the programs that have been tested have mostly provided either occupational skills training (that is, training, usually in a classroom setting, that focuses on a specific occupational area) or, more commonly, basic education—basic

Figure 3.5

Five-Year Results of Two 1980s Job Search Programs

The programs were inexpensive to operate and succeeded in increasing earnings and reducing welfare receipt . . .



. . . Over time, the differences between the program and control groups narrowed.

Program and year of follow-up	Average earnings per person				Average AFDC payments per person			
	Program group	Control group	Difference (impact)	Percentage change	Program group	Control group	Difference (impact)	Percentage change
Arkansas								
Year 3	$1,878	$1,463	$414 **	28%	$989	$1,217	-$227 ***	-19%
Year 5	$2,311	$2,199	$112	5%	$897	$991	-$94	-9%
Virginia								
Year 3	$3,553	$3,158	$395 *	13%	$1,502	$1,646	-$144 **	-9%
Year 5	$4,444	$4,200	$245	6%	$919	$931	-$12	-1%

SOURCE: Data from Daniel Friedlander and Gary Burtless, *Five Years After: The Long-Term Effects of Welfare-to-Work Programs* (New York: Russell Sage Foundation, 1995), pp. 81, 88–89.

NOTES: The figures are expressed in 1993 dollars.

Impact estimates marked with asterisks are considered to be statistically significant. Those marked with three asterisks are statistically significant at the 1 percent level—that is, there is at least a 99 percent probability that the program actually had an impact. Two asterisks indicate that the estimate is statistically significant at the 5 percent level, and one asterisk indicates that the estimate is statistically significant at the 10 percent level.

In the top panel of the figure, the five-year earnings impact in Virginia is statistically significant at the 10 percent level, and the five-year welfare impact in Arkansas is significant at the 1 percent level.

reading and math instruction, preparation for the high school equivalency exam (the General Educational Development, or GED, test), or English-language classes for people not proficient in English. There are no comparable evaluations that isolate the impact of college education for welfare recipients. (The results of programs providing training on the job, rather than in the classroom, are discussed in Chapter 4.)

The evidence to date tells a mixed story. Results from the large-scale study of California's GAIN program show that mixed models can outperform job-search-only programs on some measures: Although results varied from county to county, on average GAIN generated larger, longer-lasting impacts than the job search programs described earlier, and had greater success with more disadvantaged recipients. GAIN placed a strong emphasis on education and training (especially basic education), and these services may have contributed to its generally stronger results. Similarly, a 1980s program in Baltimore that stressed education and training generated longer-lasting earnings impacts than the job search programs described earlier.[30]

On the other hand, education or training-oriented programs have not consistently produced positive results. GAIN's impacts and cost-effectiveness varied dramatically from county to county, and counties that placed a heavier emphasis on basic education or training did not necessarily do better. In fact, Riverside County, which produced some of the strongest results, generally put less emphasis on education and training than other counties did. Moreover, GAIN's impacts were not consistent for subgroups within the welfare population; some counties had limited success with more disadvantaged participants. Another mixed model, the San Diego SWIM program, discussed earlier in this chapter, generated substantial earnings gains and welfare savings, but differences between the program and control groups diminished markedly in the last two years of the five-year follow-up period.[31]

The evidence also suggests that different types of skill-building services may generate different results. Specifically, there is evidence from several studies that one particular skill-building service, occupational training, can make progress in an area where job search programs usually fall short—in helping some welfare recipients obtain better-paying jobs. This result was found in studies of the GAIN program in Alameda County (Oakland) and the Baltimore program discussed earlier.[32] (The box on pages 46–47 contrasts the results of GAIN in Alameda and Riverside counties to illustrate how training may contribute to a program's results.) It also emerged from an evaluation of a well-known training program operated by the Center for Employment Training (CET) in San Jose, California.[33] (See the box on page 48 for a description of CET.)

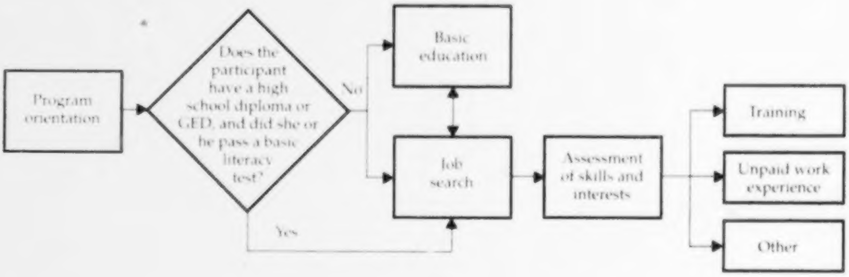
But even in the case of occupational training, the results are not consistent. The two evaluations that identified CET as an effective model also found less positive results for several other training-oriented programs.[34] Moreover, a national study of voluntary programs that were operated under the Job Training Partnership Act (JTPA), while finding positive results for AFDC recipients overall, also found that recipients who were referred to classroom training programs did not earn significantly more than control group members.[35] This uneven record raises questions about the content and quality of classroom training programs and about the procedures that programs have used to decide which participants are referred to this activity.

In addition, it is important to note that training-oriented programs have so far been less successful than job search programs in one important respect: They have not consis-

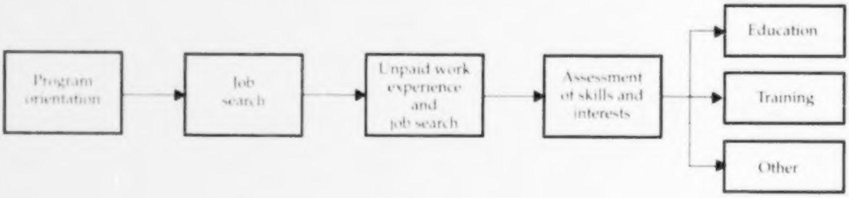
Welfare-to-Work Models

"Mixed" welfare-to-work programs, which provide both job search assistance and skill-building services such as education and job training, use a variety of methods to assign participants to specific services. In this box, three approaches are described and illustrated.

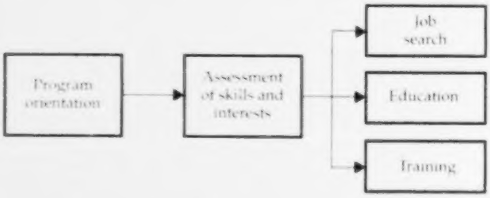
California's GAIN program created two service tracks, one for participants who had a high school diploma or GED (high school equivalency certificate) and who scored above a specific level on a basic reading and math test, and the other for dropouts and those with low test scores. The first group was assigned to job search activities initially; those who did not find jobs might then be referred for training, unpaid work experience (workfare), or other activities. The second group was required to begin with basic education unless they chose to try job search first:


Program orientation
Does the participant have a high school diploma or GED, and did she or he pass a basic literacy test?
No
Yes
Basic education
Job search
Assessment of skills and interests
Training
Unpaid work experience
Other

The San Diego SWIM program used a "fixed sequence": All participants started with a two-week job search workshop. Those who did not find jobs were placed in a workfare position (along with continuing job search). Those who were still unemployed after a 13-week stint in workfare could be referred for education, training, or other activities:


Program orientation
Job search
Unpaid work experience and job search
Assessment of skills and interests
Education
Training
Other

The Baltimore Options program (like SWIM, a 1980s program) used a model that is common in many JOBS programs. Activity assignments were individualized on the basis of an initial assessment of participants' skills and interests:



tently reduced welfare receipt or welfare spending. The Baltimore program discussed earlier generated no significant AFDC savings, and the Alameda GAIN program produced no significant savings for those with a high school diploma and basic literacy (the group that was most likely to receive training).[36] In some cases, it appears that these programs primarily helped people who would have left welfare anyway, boosting them to higher-wage jobs. (This may be related to the training programs' entrance criteria or to the way programs assign participants to activities.) This result, coupled with the fact that skill-building programs are more expensive to run, means that they are less likely to save money for taxpayers. Thus, the argument that training will save more money over time by reducing welfare "recidivism" has so far not been borne out—at least not within the period covered by these studies.

The fact that a training program does not save welfare dollars is not necessarily a sign that the program is unsuccessful—training is mainly intended to get people better jobs, not to reduce welfare receipt—but, in the context of welfare reform, savings and

Two Paths to Higher Average Earnings

The table opposite shows the results for two counties in the evaluation of GAIN, California's welfare-to-work program, during the first three years of the follow-up period. Although both programs provided a mix of job search, education, and training services, they had different philosophies. Riverside stressed immediate employment. Alameda (Oakland) made a stronger effort to move participants into basic education or, if they had high school diplomas, into occupational training or other skill-building activities to try to boost their earning potential. (Alameda's program also served a higher proportion of long-term welfare recipients, so cross-county comparisons should be made cautiously.)

As the first row of the table shows, both programs generated large increases in average earnings over the three-year period. Members of the GAIN program group earned, on average, 49 percent more than control group members in Riverside and 30 percent more than control group members in Alameda (the earnings amounts are averaged over all members of each group, including people who never worked or worked for only part of the three-year period). However, the programs achieved this result in different ways. The second row shows that Alameda program group members earned 12 percent more per quarter during which they worked than did control group members (employment and earnings data are reported in three-month periods). This and other data (not shown) indicate that employed program group members earned higher hourly wages and worked more hours than employed controls. (The earnings figures include people who worked part time or worked for only part of the three-month period.) In contrast, in Riverside, employed program group members earned approximately the same as employed control group members, indicating that they obtained roughly the same kinds of jobs.

The third row of the table shows that Riverside generated a much larger increase in employment: On average, program group members worked in just over 4 of the 12 quarters during the three-year period, compared to less than 3 quarters of employment for control group members; in percentage terms, program group members worked 46 percent more during the period. The employment gain in Alameda was much smaller, about 16 percent. In other words, these data suggest that Riverside induced people to work more, but generally did not help them get better jobs. Alameda generated a much reduced welfare receipt are often important goals. Of course, as noted earlier, policymakers in some communities might decide that raising the incomes of poor families via training is a worthwhile investment of public funds, while others might prefer an approach that reduces spending while leaving family incomes largely unchanged.

Finally, while occupational training has generated some positive results, it is not available to everyone. Many training programs (CET is an exception) are not open to high school dropouts or people with very low literacy levels, including many welfare recipients. In welfare-to-work programs, this group tends to enter adult basic education—an activity that has not produced many impressive research results to date:

- The ultimate goal of most adult education classes is to help participants pass the GED (high school equivalency) test. But some recent studies have questioned the conventional wisdom that people with a GED do better in the labor market than other high school dropouts and do as well as high school graduates (although a GED may allow people to access training programs, which can make a difference).[37]

smaller increase in employment, but helped some people get higher-paying jobs. When the results are averaged across everyone in the program and control groups, both programs substantially raised average earnings.

One final point should be made: The Alameda program's earnings gains were concentrated among recipients who already had a high school diploma and basic literacy when they came into GAIN. The fact that this group was targeted for training (as opposed to basic education) suggests that training played a role in helping these participants find better-paying jobs. Riverside had earnings impacts for this group and for people without a high school diploma or basic literacy skills.

	Alameda County GAIN			Riverside County GAIN		
Outcome	Program group	Control group	Percentage change	Program group	Control group	Percentage change
Average earnings over the three-year period	$6,432	$4,941	30.2%	$9,448	$6,335	49.1%
Average earnings per quarter employed	$2,502	$2,226	12.4%	$2,321	$2,279	1.8%
Average number of quarters with employment during the three-year period	2.57	2.22	15.9%	4.07	2.78	46.1%

SOURCE: James Riccio, Daniel Friedlander, and Stephen Freedman, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program* (New York: MDRC, 1994), Tables 4.1 (pp. 119–20), D2 (p. 317), and D5 (p. 323). Average earnings per quarter employed are calculated from Tables D2 (p. 317) and D5 (p. 323).

- Surveys of recipients entering the JOBS program have found that few are eager to study basic reading and math (they view training more positively).[38] This may help to explain why many AFDC recipients have poor attendance and drop out of basic education programs without completing them.[39] Other research suggests that some recipients are better able to appreciate the value of education after they have tested the labor market.[40]

- Data from the GAIN evaluation show that it is hard to produce educational gains in large-scale basic education programs for welfare recipients. While GAIN dramatically increased the amount of time people spent in basic education, only one of the five counties studied—San Diego—succeeded in raising participants' test scores (relative to the control group), and those gains were concentrated among participants

The Center for Employment Training (CET)

The Center for Employment Training (CET), based in San Jose, California, operates training programs that have generated strong results in two random assignment evaluations, one targeting young high school dropouts with low reading levels[1] and one targeting minority single parents (most of whom were welfare recipients). In the latter study, members of the CET program group earned, on average, $2,062 (22 percent) more than control group members over a 30-month follow-up period and obtained higher-paying jobs. More recent data show that earnings gains were still holding up after five years. Moreover, both studies found that CET—unlike many other training programs—generated welfare savings for at least some groups of recipients.[2]

CET has several distinctive features that make it particularly appealing in the current welfare reform context, in which time limits are pushing program operators to look for shorter skill-building models that are open to a broad range of welfare recipients:

- CET accepts high school dropouts and graduates alike and operates on an "open-entry" basis (that is, people do not need to wait until the next semester or class cycle to start the program).
- Enrollees—even those without a high school diploma—move directly to hands-on vocational training; basic education is integrated into the training, rather than preceding it.
- CET's training programs are closely linked to the local business community to ensure that students are learning marketable skills and can find jobs quickly after completing their courses.
- Finally, CET's training courses are relatively short, usually lasting about six months.

Currently, a national study is testing whether the CET model can be effectively replicated in other cities.[3]

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1. See George Cave et al., *JOBSTART: Final Report on a Program for School Dropouts* (New York: MDRC 1993).

2. *Minority Female Single Parent Demonstration: 30-Month MFSP Evaluation Findings*, prepared by Mathematica Policy Research, Inc., Princeton, N.J., for The Rockefeller Foundation (undated); Amy Zambrowski and Anne Gordon, *Evaluation of the Minority Female Single Parent Demonstration: Fifth Year Impacts of CET*, prepared by Mathematica Policy Research, Inc., Princeton, N.J., for The Rockefeller Foundation, 1993. JOBSTART welfare savings are from unpublished evaluation data.

3. MDRC and Berkeley Planning Associates are conducting a random assignment evaluation of the CET program model as it is replicated at 10 sites around the country.

who had higher levels of literacy to start with. San Diego's program used an intensive schedule (classes met for 27 hours per week), specially selected teachers, close attendance monitoring, and other measures to tailor adult education to the GAIN population, rather than relying on existing community programs. (Another county, Tulare, generated a fairly large increase in GED receipt.)[41]

- In the GAIN study, there was no obvious connection between a county's degree of emphasis on basic education and the earnings impacts for participants with low literacy levels, even after five years. The Tulare County program, which stressed education for this group, succeeded in raising their earnings, but so did the Riverside program, which placed much less emphasis on education. Other counties that substantially increased participation in basic education generated no earnings gains for this group. This was true even for San Diego, the one county where test scores increased. (The box on page 32 summarizes these results.)[42]

What does it all mean? The research to date does not support the extreme positions on either side of the debate over welfare-to-work strategies. Programs relying only on job search assistance can increase work and save money, but also have important limitations: They generally do not make a lasting difference or succeed with the most disadvantaged recipients. Moreover, these programs usually do not improve families' financial well-being.

The GAIN results suggest that adding some skill-building activities to the mix of services can improve these impacts. But training and education are hard to do well. Moreover, while occupational training appears to be a promising strategy for raising incomes, it is less likely to reduce welfare receipt or save money for taxpayers. Finally, conventional training programs are often inaccessible to many welfare recipients; they are referred instead to adult basic education, an activity that has generated fewer positive results.

In the end, neither of these approaches is clearly "better" than the other; a community's preference will depend on its goals and budget constraints. Usually, resource limitations will force a choice between serving more people with less expensive services and serving fewer people while spending more per person.

The results generated by CET and the Riverside County GAIN program indicate that there may also be a middle ground. As noted earlier, CET has achieved success using a relatively brief training program that serves a wide range of people.

The Riverside program, like other county GAIN programs, placed a heavy emphasis on skill-building services—about 60 percent of participants entered an education or training activity—but also maintained a pervasive focus on employment (see the box on page 50). Riverside's approach generated the strongest results measured to date: large, long-lasting increases in participants' earnings and big budget savings for most major groups of welfare recipients, including very long-term recipients.[43] As noted earlier in this chapter, the Riverside results are limited in some respects, but the program's ability to further several diverse goals simultaneously has important implications for states as they design programs under TANF. An ongoing study of Los Angeles's current effort to adapt the elements of successful programs in Riverside and elsewhere should provide useful lessons on the replicability of this program approach.[44]

What Characterized the Riverside County GAIN Program?

The Riverside County GAIN program has drawn wide attention because it generated some of the strongest results measured to date for a large-scale welfare-to-work program.

Some have mistyped Riverside as a simple job search program; in fact, when evaluated, it was a mixed model in which almost 60 percent of participants were in job search and about 60 percent were in education or training (with some in both). (Under statewide GAIN rules, recipients who were high school dropouts and those with low literacy scores—about two-thirds of those required to participate in GAIN—were *required* to start with basic education unless they chose job search.)

At the same time, however, the Riverside program was found to have a pervasive focus on employment, which was demonstrated in several ways:[1]

- Staff strongly urged participants who were required to enter basic education to try job search first. Once participants enrolled in school, they were not allowed to languish there: Staff monitored them closely, urged them to look for work, and sometimes referred them to job search activities if they failed to make a diligent effort. These practices helped keep costs down. Overall, there was a more nearly equal use of job search and education in Riverside compared to other counties, and participants who did enter basic education in Riverside tended to remain there for shorter periods.
- In their interactions with participants, Riverside staff sent a strong "message" that participants should move into the workforce quickly, if necessary by taking low-wage jobs. To promote this message, the program established job placement standards for individual program staff and offices; the program also hired job developers, who were responsible for working in the community to identify openings for GAIN participants.
- Riverside staff relied on GAIN's formal enforcement procedures when participants failed to comply with program rules. In other words, they were quick to initiate a process that could lead to sanctions, although the ultimate sanctioning rate was not particularly high. Staff in other counties were more likely to try to persuade participants to cooperate.

Finally, Riverside was unusual in the high priority placed on the GAIN program by the most senior officials in the welfare agency. There were also a strong commitment and adequate resources to serve all recipients who were required to participate, not just those who volunteered or appeared to be more job ready.

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[1] See James Riccio, Daniel Friedlander, and Stephen Freedman, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program* (New York: MDRC, 1994).

■ *What other factors affect the success of welfare-to-work programs?*

While the mix of employment services is important, research suggests that other factors—such as management practices, "messages," and funding levels—also affect the success of welfare-to-work programs.

For example, a program that targets a broad group of welfare recipients and requires them to participate—whether or not they would choose to do so on their own—can affect people who never receive any services. Some people may get jobs and leave welfare in order to *avoid* participating (which is why it is important for evaluations of mandatory programs to look at results for everyone who is subject to the mandate, not just those who actually receive services). Others might decide not to apply for welfare in the first place when they hear about the mandates. While the evidence on the relative effectiveness of mandatory versus voluntary programs is not clear,[45] some program administrators argue that mandates are critical to reaching people who can benefit from services, and some experts feel that strictly enforced mandates are the most important element of programs that generate large reductions in welfare caseloads.[46] (In many states, welfare-to-work programs that are theoretically mandatory do not consistently enforce their participation requirements.) Interestingly, welfare recipients with schoolage children reported in one survey that they also see the value of mandates: Two-thirds said they think mandates are "a good idea" or "a very good idea."[47]

Evaluations also suggest that the quality of a program's implementation can dramatically affect its results.[48] Well-run programs—whatever the specific mix of services—seem to share a number of common elements:

- **A strong, consistent "message" about program goals.** The program message is transmitted in the day-to-day interactions between welfare recipients and line staff. This suggests that regular staff training and management oversight are likely to be prerequisites for success.[49] In addition, messages may be affected by the way staff are organized (see the box on page 52).

- **Cost-conscious management practices.** Programs that control operating costs obviously have a better chance of saving money for taxpayers. Costs tend to be higher when participants remain in activities for long periods. Thus, in well-run programs, staff typically keep close tabs on participants' attendance in activities and respond quickly when problems arise. Moreover, various strategies are used to channel more expensive services to participants who seem most committed.

- **Sufficient resources to get the job done.** The preceding point does not mean that cheaper is better. In fact, evaluations suggest that if resources are spread too thin, results will suffer.[50] Staff need manageable caseload sizes and ready access to user-friendly information systems in order to monitor and assist their participants and to respond quickly. Managers also rely on information systems for the data they need to monitor staff performance. Finally, sufficient funds are needed to ensure the availability of quality services and necessary child care for participants.

All of this suggests that passing a law is only the first step in generating real change—a fact often forgotten when new policies are framed. To run high-performing programs, managers need to hold high expectations for staff and welfare recipients, have adequate resources, offer quality services, and pay attention to program goals (such as employment and cost containment). In effective programs, managers also need to consciously make some of the critical strategic choices—for example, deciding whether to really enforce a participation requirement for a large number of people or provide more intensive services to a smaller number of more able volunteers—rather than letting these choices be resolved haphazardly through the interaction between case managers and welfare recipients.

Changing the "Message" of Welfare

Many have argued that the welfare system, in its day-to-day interactions with recipients, sends anti-work "messages." Indeed, in many areas, welfare eligibility workers, the primary point of contact between recipients and the system, are primarily focused on issuing timely and accurate payments. This clearly defined mission (reinforced by staff evaluation criteria), coupled with caseload sizes of several hundred clients per staff person, often means that workers have neither the time nor the incentive to help recipients move toward self-sufficiency.

Most of the policies discussed in this book aim to change this message, either by linking welfare receipt to work or work-related activities or by changing the welfare rules to reward work. In addition, many states and localities have made structural changes to alter the day-to-day reality of welfare for recipients and staff. For example, Utah, Wisconsin, and other states are changing the "front door" of the welfare system through "diversion" programs that seek to steer applicants to alternative possibilities. These programs may provide short-term loans, job search assistance, referrals to community social services, or advice on possible expense reductions or income enhancements.

Staffing structures are critical in communicating program messages. In most places, each welfare recipient who is participating in employment-related activities is assigned to two workers—an eligibility worker, who is responsible for calculating benefits, and an employment and training worker, who helps the recipient develop and implement an employment plan. In many areas, the two workers are housed in different offices and have only limited communication with each other. Some administrators believe that this structure hinders their ability to change the welfare message.

Many areas, however, are experimenting with different staffing structures that may facilitate communication of a new message. For example:

- In Escambia County (Pensacola), Florida, eligibility workers' caseloads have been reduced and their jobs redefined: In addition to handling benefit calculations, these workers are now expected to function as case managers, working with employment and training staff to help recipients develop and implement a self-sufficiency plan.
- In Fond du Lac, Wisconsin, among other locations, eligibility workers are teamed with specific employment and training workers so that the two staff members work with the same recipients. This arrangement is intended to forge a tighter linkage between eligibility functions and employment-related activities.[1]
- In Columbus, Ohio, a random assignment study is testing an "integrated" staffing structure, in which eligibility and employment and training functions are combined in a single staff position (a structure that was the norm in most places until the early 1970s).[2] This study is discussed later in this chapter.

Although some of these approaches may hold promise, it is also important to note that many effective welfare-to-work programs, including the Riverside County GAIN program, did not attempt to make fundamental changes in the traditional staffing structure. They used other strategies to change the message.

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[1] For more information on the Florida and Wisconsin programs, see Dan Bloom and David Butler, *Implementing Time-Limited Welfare: Early Experiences in Three States* (New York: MDRC, 1995).

[2] Thomas Brock and Kristen Harknett, "Separation Versus Integration of Income Maintenance and Employment Services: Which Model Is Best? Findings from a Case Management Experiment in Columbus, Ohio," paper presented at the annual conference of the Association for Public Policy Analysis and Management, Pittsburgh, Pa., November 2, 1996.

■ *What is the highest feasible rate of participation in a welfare-to-work program?*

In 1988, Congress for the first time required states to ensure that specific percentages of welfare recipients engage in work-related activities. As discussed earlier in this chapter, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 greatly increases these "participation rates," while simultaneously narrowing the range of activities that can be counted as participation and reducing the number of welfare recipients who are exempt from participation mandates. States that fail to meet the new rates could lose part of their funding under the TANF block grant that replaces AFDC and the JOBS program.

To some extent, the 1996 law is consistent with the approach adopted in recent years by some states, operating under federal waivers. For example, many states have narrowed the groups who are exempt from JOBS mandates, and they are seeking to dramatically increase the proportion of recipients who are participating in activities or working (as discussed below, the law's narrower definition of acceptable participation is less consistent with recent state initiatives).[51]

Increasing the proportion of welfare recipients who are working or engaged in work-related activities is a popular goal. But public discussions and debates about participation rates are often confusing and misleading in a number of ways.

Measuring participation. A participation rate is a ratio: Typically, it divides the number of participants by the number of people required to participate. Three factors determine the practical meaning of a particular rate:

- **The definition of a participant.** The numerator of the ratio depends on what activities are defined as participation. Although people often refer to rules requiring welfare recipients to "work," participation rates almost always count activities other than work (such as training, job search, or education). The Personal Responsibility and Work Opportunity Reconciliation Act uses a different definition of participation than was used under the JOBS program: The 1996 law counts unsubsidized employment, which was generally not counted under JOBS, but also limits the extent to which work-*related* activities such as job search, education, and training can be counted.[52]

- **The base.** The denominator in a participation ratio is typically determined by who is subject to participation requirements. Under the Family Support Act, several groups of welfare cases were exempt from JOBS requirements, and thus were not counted in the denominator (the base). The 1996 federal law broadens the base by dramatically reducing the number of recipients who may be exempted.[53]

- **The period of measurement.** Both the Family Support Act and the 1996 law measure monthly participation — that is, the proportion of nonexempt recipients who participate at least a specified amount in each month. It is also possible to measure participation over a longer period. For example, many studies follow a specific group of people and determine how many of them participate within a specific number of months after entering the study. These "longitudinal" rates tend to be much higher than monthly rates.

It is impossible to assess whether a given participation rate is high or low without considering these factors. A recent study examined highly mandatory JOBS programs in California, Georgia, and Michigan and calculated the monthly participation rate in several different, equally plausible, ways. All three of these programs are "successful" in the sense that they vigorously enforced the participation mandates and generated significant reductions in AFDC receipt over a two-year follow-up period. The study found that:[54]

- If a "participant" was defined as anyone who (1) participated in a JOBS activity for at least 20 hours per week in every week of the month *or* (2) was employed at least 15 hours in every week, and the participation rate was calculated on a base of the entire AFDC caseload (not just those required to participate), only 5 to 10 percent of recipients participated.
- In contrast, if a "participant" was defined as anyone who (1) participated in a JOBS activity at some point during the month, (2) was employed at all during the month, *or* (3) was referred for or received a sanction during the month for failing to participate, and the base included only people who were not exempt from JOBS participation requirements, the participation rate was 35 to 44 percent.

This study also estimated the participation rate in these three programs under rules that are fairly similar to those included in the 1996 welfare law. It found that the three programs combined would have achieved a participation rate of about 16 percent under those rules; the new law requires states to achieve a participation rate of 50 percent by 2002.[55]

The limits of participation. One important issue related to participation rates is frequently misunderstood. If a law mandates that certain welfare recipients are subject to a participation requirement (that is, they are not exempt), why would states be required to have only 25 or 50 percent of these individuals participating in a given month? Why shouldn't everyone who is required to participate actually do so?

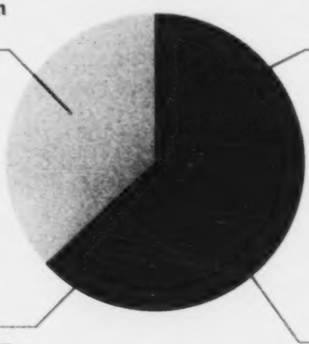
To help answer this question, Figure 3.6 shows additional results from the three-site JOBS study described in the previous section. In a typical month, only about 9 percent of the people who were required to participate in JOBS ("JOBS-mandatory" individuals) actually met a definition of participation that is similar to the one used under JOBS. Where were the other 91 percent? As the figure shows, 37 percent of the JOBS-mandatory recipients had not attended orientation, the first step in JOBS participation. Some of these people had just recently become JOBS-mandatory and had not yet been identified by staff and scheduled for an orientation; others were waiting for a scheduled orientation to occur or had failed to attend a scheduled orientation.

Twenty-two percent of the JOBS-mandatory individuals had attended orientation, but did not participate in JOBS in the month. Some of these people were ill or incapacitated, others were waiting for a scheduled activity to begin, and still others were not involved for reasons that could have been corrected with more funding or better case-monitoring procedures (for example, child care was unavailable or staff temporarily lost track of the individual).

Finally, about 32 percent of JOBS-mandatory recipients participated in JOBS to some extent, but did not meet the above-described definition of a participant. Some of them

Figure 3.6

Proportion of JOBS-Mandatory Individuals Involved in JOBS in a Typical Month



Have never attended a program orientation (37%)

May be awaiting orientation or may have failed to attend orientation.

Attended orientation but were not involved in JOBS (22%)

Reason may be either correctable by the program (e.g., child care issues) or unrelated to JOBS funding or case management (e.g., the person or a family member was ill or incapacitated).

Met JOBS-like participation requirements (9%)

Participated at least 20 hours per week or were employed at least 15 hours per week.

Were involved in JOBS but did not meet the participation requirements (32%)

Participated less than 20 hours per week or were employed less than 15 hours per week, or were sanctioned or slated to be sanctioned.

SOURCE: Data on three states from U.S. Department of Health and Human Services and U.S. Department of Education, *The JOBS Evaluation: Monthly Participation Rates in Three Sites and Factors Affecting Participation Levels in Welfare-to-Work Programs*, prepared by Gayle Hamilton (Washington, D.C.: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, 1995), pp. 21–24, 30–31, 43.

participated less than 20 hours per week, perhaps because they were assigned to activities that met for fewer hours or because they missed some of their scheduled activities.

These data show that, in order to achieve a 9 percent participation rate (based on the above criteria), staff needed to work with nearly all potential participants. These data also show that, even if funding was sufficient and case-tracking procedures were flawless, some people would not be active throughout a typical month; for example, at any point, some individuals have health barriers to participation, others are waiting for activities to begin, and still others enter or leave welfare partway through the month. Similar reasons for nonparticipation were found in the late 1980s in the San Diego SWIM demonstration program, which was designed specifically to maximize participation in welfare-to-work programs.[56]

The benefits and costs of increasing participation. In deciding how much to try to increase participation, it may be useful for policymakers to consider the following research-based lessons:

- **Higher costs.** Achieving a dramatic increase in participation rates and hours is likely to require a substantial investment of resources, at least initially. More staff will be needed to monitor clients' activities and respond quickly to noncompliance, and funding will be needed to expand the number of available activity slots. In addition, depending on who is subject to the mandate and how many hours they are required to participate, boosting participation may involve substantially higher expenditures for child care. Indeed, a recent study of five states that are seeking to increase participation in work-related activities—Colorado, Iowa, Michigan, Utah, and Vermont—noted that all of the states needed to hire additional staff to handle the increased number of participants and all spent more on child care.[57] As noted earlier, the 1996 welfare law sets higher participation rates, but does not expand federal funding (except for child care).

- **Harder-to-serve participants.** The five-state study also points out that achieving very high rates of participation may mean working with people who have not typically been involved in welfare-to-work activities. In Utah, where nearly all exemptions have been eliminated, staff began to encounter recipients facing serious barriers to employment, including untreated mental health and substance abuse problems. The program needed to develop new strategies for these people, including hiring specialized staff with small caseloads to work intensively with them. The report points out that Utah's experience is likely to understate the severity of the problems that would be encountered in large urban areas with greater numbers of long-term recipients.[58] In addition, while Utah expanded the definition of acceptable participation to include activities such as substance abuse treatment, the 1996 federal law narrows this definition.

- **Staffing structures.** A study in Columbus, Ohio, is using random assignment to compare the effects of a "traditional" staffing structure—in which recipients are assigned to a welfare eligibility worker and a separate employment and training (JOBS) case manager—and an "integrated" model, in which recipients are assigned to a single worker who performs both eligibility and JOBS functions. A major reason for this test is to determine whether the integrated approach leads to higher participation rates. Over a two-year period, a significantly higher percentage of integrated cases than traditional cases attended a JOBS orientation: 86 percent versus 65 percent. Since orientation is the gateway to JOBS activities, it follows that the integrated approach also led to significantly higher rates of participation in employment-related services: 52 percent versus 34 percent.[59] Information about how the two strategies affected earnings, employment, and welfare receipt will be presented later in the study.

If achieving higher participation rates and increased hours is likely to cost more and raise new implementation challenges, it is reasonable to ask whether this investment is worthwhile. The answer partly depends on the goals. If the objective is primarily to increase participation—that is, to redefine welfare as a mutual obligation—the answer may well be yes, although it is important to consider possible alternative uses of the money that is spent maximizing participation.

It is also important, however, to consider the likely results of this policy. Some experts argue that dramatically increasing participation rates will generate a large reduction in the welfare caseload, thus offsetting the upfront investment.[60] This is certainly possible. The new policies would go beyond anything that has been tested; if they can be implemented successfully, they may produce results different from those of past programs. In addition, states that fail to substantially increase participation may be penalized and lose part of their TANF grant.

But it is worth noting that random assignment studies do not necessarily support the view that higher participation automatically produces larger impacts. On the one hand, most programs that generated significant reductions in welfare spending had relatively high participation rates (although none of them required participation of more than 20 hours per week). On the other hand, some programs with high participation rates did not significantly reduce welfare receipt.[61] In other words, these results suggest that high participation rates may be necessary but not sufficient to generate welfare reductions; other factors—for example, the type of activities in which people are participating—are likely to matter as well.

Finally, studies suggest that if resources are spread so thin that there is little effective monitoring or assistance for participants—a possible result if participation is increased without sufficient funding—results are likely to suffer.[62]

The role of sanctions. In the 1990s, more than 30 states sought or received waivers to impose stronger penalties on recipients who fail to comply with participation mandates without good cause.[63] Under JOBS rules, sanctions were imposed by removing the noncompliant person (almost always the parent) from the grant calculation; the family thus received a smaller grant amount. Under waivers, some states began employing "full family sanctions" that would cancel the family's entire grant, at least temporarily, in response to repeated noncompliance. The 1996 federal law also calls for stricter sanctions.[64]

The research does not provide much guidance for predicting the effects of these new sanction policies. They are likely to produce greater welfare savings, but it is not clear how they will affect earnings, participation rates, or the well-being of children in sanctioned families. Important evidence will come from a study in Iowa that conducted surveys and in-depth interviews with people in the midst of six-month full-family sanctions.[65] The JOBS study described earlier examined the reasons for nonparticipation in three highly mandatory programs and found that stronger sanctions would not have addressed the major reasons why the vast majority of people who were required to participate at least 80 hours per month did not in fact do so.[66] Another study, which used data from the GAIN evaluation, found that personalized attention by staff may be moderately more effective than formal penalties in attaining high levels of participation—although it also found that emphasizing penalties does not preclude high participation; nor does it prevent recipients from developing positive views of the program or the staff.[67]

The five-state study described above pointed out that some states that increased penalties have also implemented new policies to try to address participation problems before resorting to sanctions, and to monitor the well-being of families that are subject to sanctions.[68]

■ *What strategies work best for teenagers in households receiving AFDC?*

In an effort to prevent future welfare dependency, many states have developed policies that target teenagers in households receiving AFDC. An important subset of these policies focuses on education, aiming to increase the proportion of these teens who finish high school or earn a GED (high school equivalency) certificate. As noted earlier, studies have shown that education is increasingly linked to success in the labor market. The

1996 federal welfare law restricts states from using TANF block grant funds to assist most unmarried parents under 18 unless they have completed school or are attending school.[69]

Alternative approaches. In recent years, a variety of education-focused programs have been implemented for teens in households receiving AFDC. These range from small-scale, voluntary programs operated by community-based organizations to large-scale, mandatory "learnfare" models that require some or all teens in households receiving AFDC to attend school regularly. Over the past few years, several variations on the learnfare model have emerged:

- Some programs—including the original Learnfare program, which has been operating in Wisconsin since 1988—target all teens in households receiving AFDC. Other models—including Ohio's statewide Learning, Earning, and Parenting (LEAP) program, California's statewide Cal-Learn program, and the Teenage Parent Demonstration, an experimental program that operated in three sites in New Jersey and Illinois—focus specifically on pregnant and/or parenting teens on AFDC, a group at high risk of becoming long-term welfare recipients.
- Virtually all of the learnfare-type programs use financial sanctions to enforce their mandates, but some—including both LEAP and Cal-Learn—also provide financial bonuses when teens comply with the requirements.
- Some learnfare models stress mostly financial penalties and/or incentives, while others also provide a range of services to teens. For example, some models provide funding for case management or specially designed education programs.

A number of studies have examined the implementation and impacts of programs for teens in households receiving AFDC. The Ohio LEAP program, Wisconsin's Learnfare program, the Teenage Parent Demonstration, and New Chance—a 16-site test of a small-scale, mostly voluntary, comprehensive program for young mothers—have all been subject to rigorous evaluations. Several themes have begun to emerge from this research.

Results. Several teen-focused programs have produced some positive results. Ohio's LEAP increased school enrollment and attendance; for teens who were still in school when they enrolled in the program, LEAP has also increased school completion rates (via GED receipt), employment, and earnings, and reduced AFDC receipt. New Chance generated a large increase in GED receipt; the Teenage Parent Demonstration generated reductions in welfare receipt and increases in school enrollment, earnings, and employment rates. Moreover, LEAP and the Teenage Parent Demonstration achieved these results at modest cost. Initial data from the evaluation indicate that LEAP costs about $500 per teen per year (including only direct costs incurred by the welfare department); the Teenage Parent Demonstration cost about $2,200 per teen per year, including both direct welfare agency costs and indirect costs incurred by other agencies.[70]

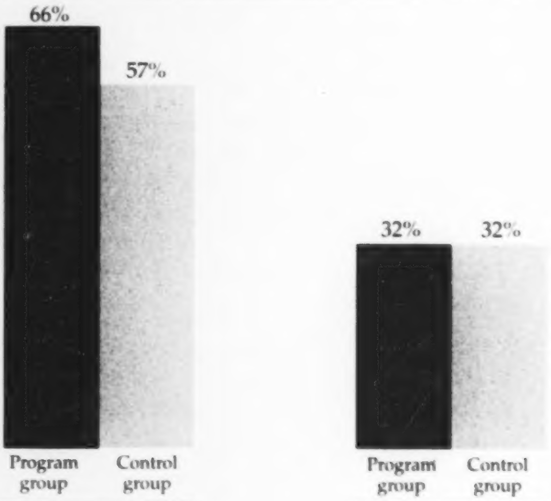
The programs' effects, however, have generally been modest or small:

- Evaluations of programs for teen parents, such as LEAP and New Chance, illustrate the magnitude of the challenge. Although LEAP has produced some positive results, 83 percent of teens who were enrolled in the program were receiving AFDC three years after entering LEAP, and only 34 percent had obtained a high school diploma or GED. In New Chance, 82 percent of those enrolled in the program were receiving AFDC 18 months after entering the program, and more than half had not completed high school or received a GED. In the Teenage Parent Demonstration, fewer than one-fourth of the participants were employed at the two-year point, and about 85 percent had income below the poverty line.[71]

- Results from several studies have highlighted the particular challenge of working with high school dropouts. Targeted specifically to dropouts, New Chance is a comprehensive program that includes many of the ingredients assumed to be synonymous with effective programming; so far, however, it has failed to increase employment or reduce welfare receipt.[72] Similarly, as shown in Figure 3.7, LEAP has been much less effective for teens who dropped out of school before they entered the program. (Because LEAP targets only pregnant and parenting teens, a teen who leaves school before becoming pregnant will enter the program as a dropout.) A substantial portion of this group was sanctioned repeatedly, and some reported in a survey that the lost income reduced their ability to purchase necessities for themselves and their children.[73]

Figure 3.7

Ohio's LEAP Program: Percentage of Teens Who Had Completed High School or Received a GED, or Were Still Enrolled in School, Three Years After Entering the Study



Results for Teens Who Were Still Enrolled in School When They Became Eligible for LEAP

Results for Teens Who Were Dropouts When They Became Eligible for LEAP

SOURCE: Data from David Long, Judith M. Gueron, Robert G. Wood, Rebecca Fisher, and Veronica Fellerath, *LEAP: Three-Year Impacts of Ohio's Welfare Initiative to Improve School Attendance Among Teenage Parents* (New York: MDRC, 1996), p. ES-7.

- Two evaluations of the Wisconsin Learnfare program have found that this model has had little success in improving school attendance among teenagers in AFDC households, whether or not they are parents.[74]
- Perhaps the most discouraging result from these studies is that few programs have succeeded in reducing repeat pregnancies. This was true both for strongly enforced mandatory programs, such as LEAP and the Teenage Parent Demonstration, and for service-rich voluntary programs such as New Chance.[75] A rare exception to this trend is a program in which nurses make home visits to teen parents; careful studies have shown that this model can significantly reduce repeat pregnancy. A new experimental program is testing whether these

same results are achievable if paraprofessionals rather than nurses make the visits.[76]

Although the overall picture is discouraging, the studies described above, along with other research on programs for disadvantaged young people, suggest that certain program characteristics may be linked to better results. For example, several youth-focused programs that have achieved strong impacts—including the Big Brothers/Big Sisters program, the Quantum Opportunities Program (QOP), and the residential Job Corps program—provided opportunities for sustained contact between teens and caring, responsible adults.[77] This characteristic may also help to explain why Ohio's LEAP—which assigned teens to case managers, sometimes outstationed in their schools—appears to have been more successful than other learnfare models in improving teens' school attendance. Case management was also a central feature of the Teenage Parent Demonstration, which also significantly increased school enrollment.[78]

Implementing learnfare programs. Large-scale learnfare-type programs can present serious implementation challenges. For example, states implementing mandatory programs for teen parents have had problems using their computerized data systems to identify teen parents who do not head welfare cases (many minor teen parents receive assistance on their mother's grant). States have also found that it is both difficult and time-consuming for welfare agencies to closely monitor school attendance for large numbers of teenagers, particularly in big cities.[79] Several aspects of the program design may affect the implementation experience. For example:

- A program that mandates school attendance for all teens receiving AFDC—rather than just those who are pregnant or parents—will involve a much larger number of people; only a small percentage of teenagers in households receiving AFDC are pregnant or parents.[80]
- When attendance mandates involve teenagers who are not parents, the penalties (and rewards, if any) will almost always affect the teens' parents (who head their welfare cases) rather than the teens themselves. In contrast, programs that have targeted teen parents have served many 18- and 19-year-olds, who usually head their own households. More than half the teens entering the LEAP program headed their own AFDC case.[81]
- Very tight attendance monitoring—for example, in Ohio's LEAP, attendance is monitored monthly for all eligible teens—is likely to require special linkages between welfare agencies and large numbers of schools. Less frequent monitoring—for example, based on report cards—may be less difficult, but also provides less frequent feedback and reinforcement of the program's message, a potential drawback in a program for young people.
- If attendance monitoring is simply added to the responsibilities of welfare eligibility workers, with no special consideration for the time it takes, this task may be given low priority by the workers. These workers already have large caseloads and are under constant pressure to generate timely and accurate grants.

- Learnfare-type programs must strike a balance between applying penalties (and rewards, if any) as soon as possible and ensuring that attendance information is accurate. Wisconsin's Learnfare program was initially hindered by legal challenges that arose when inaccurate attendance reports from schools led to erroneous sanctions. Ohio's LEAP program largely avoided these problems, but the program's due process procedures mean that bonuses and sanctions occur three months after the attendance behavior that triggers them.[52]

■ *What are the biggest unanswered questions about welfare-to work programs?*

There are more questions than answers about some welfare reform strategies, but this is not the case for welfare-to-work programs. Here, we know a lot. Yet a number of important questions remain. These fall into several categories:

- **The impacts of alternative strategies for different groups on welfare.** At this point, conclusions on the relative effectiveness of different welfare-to-work strategies are based primarily on comparing results achieved by programs in different locations. But many factors other than the program model may explain why programs perform differently. The JOBS Evaluation is comparing, in the same locations, models stressing rapid employment and models stressing primarily basic education. Over the next few years, this study will provide vital information about the long-term impacts and cost-effectiveness of each strategy.

- **The interaction of welfare-to-work programs and other approaches.** Welfare-to-work programs have not been tested in conjunction with strong make-work-pay strategies, such as those described in Chapter 5, or in the context of time limits. The synergy between these different approaches might produce results different from those described above. For example, financial incentive strategies might boost the income-producing power of quick employment models (or decrease their cost-effectiveness), and time limits might bolster impacts by increasing participants' motivation. Similarly, impacts might be larger if work-focused policies operated within the context of entire neighborhoods or communities.[53]

- **The impacts of more intensive models.** Recently, several states have proposed to implement welfare-to-work programs that target a much broader share of the welfare caseload, demand more intensive participation, and use stronger sanctions than did past programs. The 1996 federal legislation encourages states to adopt this approach. The feasibility, cost-effectiveness, and impacts of these models are all unknown at this point.

- **The impacts on children.** New research is examining in detail how welfare-to-work programs affect the well-being of children. Children might be affected in a variety of ways — for example, by changes in family income or by increases in the amount of time spent in child care or without adult supervision.

Chapter 4

Mandatory Work and Subsidized Employment

The concept of requiring poor people to work in exchange for public assistance dates back at least to the Poor Laws of sixteenth-century England. Once called "work relief" to distinguish it from "cash relief," this type of program has more recently been called "workfare," Community Work Experience Programs (CWEP), or unpaid work experience. A variation on this approach—used a number of times since the 1930s—has been to use public funds to subsidize or create regular, paying jobs for unemployed people.

Polls show that mandatory work is a popular approach to welfare reform: A large proportion of voters say that government should provide support for families who need it, but that able-bodied adults should be required to work in exchange for assistance.[1] Nevertheless, there have been relatively few large-scale programs requiring AFDC recipients to work (as opposed to participating in work-related activities such as job search, training, and education, as discussed in Chapter 3). When such programs have been implemented, different goals have been stressed: enforcing a mutual obligation between government and welfare recipients, preparing recipients for unsubsidized jobs, and making welfare less attractive so that recipients are more likely to leave (or less likely to apply in the first place).[2] There have also been few large job creation or subsidized employment programs targeted to AFDC recipients.

In recent years, several states have proposed to expand work requirements to a large proportion of the AFDC caseload. Moreover, as discussed in Chapter 3, the 1996 federal welfare law increases the percentages of welfare recipients who are required to participate in work-related activities, while simultaneously narrowing the definition of an acceptable activity to decrease the emphasis on education, training, and job search, and to increase the focus on work.[3] To meet the new rates over time, most states would need to dramatically increase the number of welfare recipients who are working in subsidized or unsubsidized jobs or in work experience placements or community service programs.

This chapter addresses the following questions:

- What are the basic approaches to mandatory work for welfare recipients?
- Why have there been so few large-scale work programs for welfare recipients?
- Do work requirements translate into "make-work" jobs?

- Do work requirements reduce welfare caseloads?
- Are work requirements cost-effective?
- What are the pros and cons of subsidizing private employers to hire welfare recipients?
- Can work experience programs succeed with the most disadvantaged welfare recipients?
- What are the biggest unanswered questions about mandatory work?

■ *What are the basic approaches to mandatory work for welfare recipients?*

Since 1981, mandatory work in the AFDC program has usually meant workfare.[4] Under this approach, recipients are required to work in community service jobs, usually for government agencies or nonprofit organizations. The recipients are not paid wages; instead, they receive their normal welfare grant if they meet the requirement and a reduced grant (that is, they are sanctioned) if they do not. Recipients' work hours have typically been calculated by dividing their grant by the hourly minimum wage. (Under this approach, in the typical state, a mother with two children would be required to work approximately half time.)

Although work requirements have rarely been implemented on a large scale, workfare has been used by states in several ways. In some cases, it has simply been one component of a broader mandatory welfare-to-work program, parallel to education, training, or job search assistance. In other situations—such as the San Diego SWIM program, described in Chapter 3—workfare has been assigned to participants who failed to find jobs through job search or other activities. A few states—West Virginia is one example—have operated programs in which workfare was the primary activity (this last approach has been more common for two-parent families receiving assistance through the AFDC-UP program).[5]

In the past few years, some states have proposed expanding work requirements to a large share of the welfare caseload, sometimes in conjunction with time limits; under these models, recipients who receive AFDC for a specific amount of time are required to work in exchange for further assistance (see Chapter 6 for further discussion). In addition, several new approaches to mandatory work—different from the traditional unpaid work experience model—have emerged. For example:

- In Vermont, single parents who receive AFDC for 30 months are required to work, and the state provides community service jobs to those who cannot find work on their own. Individuals working in community service positions are paid the hourly minimum wage for each hour they work (using funds that would otherwise have been used for welfare checks). The number of required hours depends on the age of the recipient's youngest child.[6] Under certain conditions, recipients who have passed the 30-month time limit will be able to get supplemental AFDC payments when their earnings are low enough for them to qualify.

- Wisconsin has recently implemented a "pay-for-performance" model in which recipients are required to work, and their welfare grants are reduced by the hourly minimum wage for each hour they miss without good cause; those who do not work at all receive no cash grant. The state's new Wisconsin Works (W-2) legislation—under which cash aid will be provided only in exchange for work—incorporates the pay-for-performance approach for recipients in community service jobs, and also creates a flat grant amount that does not vary by family size.[7] (The 1996 federal welfare law also appears to adopt the pay-for-performance model by requiring states to reduce assistance at least "pro rata" when recipients refuse to comply with work requirements.)

These new models differ in significant ways. For example, in Vermont, community service workers will be eligible for state and federal Earned Income Tax Credits, whereas in Wisconsin's W-2, they will not. Each model aims, however, to make community service positions look more like real, paid jobs and less like welfare. The concept of using welfare funds to subsidize regular jobs is not new. However, as discussed later in this chapter, this approach has generally been used on a small scale to encourage private employers to hire and/or train relatively job-ready welfare recipients. Recipients subject to mandatory work requirements usually have been placed in unpaid work experience positions.

The attraction of replacing welfare with work activities that look more like real jobs is obvious, given broad public dissatisfaction with welfare and welfare-like programs. At the same time, there may be some tension between the goal of making community service jobs look less like welfare and the goal of using these positions as part of a safety net for children. Obviously, in regular jobs parents who do not work do not get paid, and workers with more children do not get paid more. Thus, children whose parents cannot or do not work steadily may face greater risks under an approach that simulates "real" jobs than under the traditional work-for-benefits model (in which grants have been reduced, but not eliminated, in response to noncompliance).

A few states have proposed to institute work requirements for welfare recipients without providing community service or workfare positions. Recipients are expected to meet these requirements by obtaining unsubsidized jobs or by engaging in other activities that meet the state's definition of "work"—a definition that may include volunteer work or community service. It is not clear how these programs will respond to recipients who are unable to find jobs or other activities that meet the requirements.

■ *Why have there been so few large-scale work programs for welfare recipients?*

Despite strong support in public opinion polls and from a diverse range of elected officials, work requirements for AFDC recipients have rarely been implemented on a large scale. During the 1970s, demonstration work programs in California and Massachusetts operated far below the intended scale.[8] During the 1980s, New York City's workfare program, one of the largest in the country at that time, enrolled about 7,500 AFDC recipients at its peak—out of a total AFDC caseload of about 250,000.[9] Federal data show that in fiscal year 1994 only about 20,000 out of nearly 600,000 AFDC recipients who participated in the JOBS program nationwide in a typical month were enrolled in Community Work Experience slots.[10]

This is not to say that large-scale public job creation is impossible. Between 1935 and 1940, the Works Progress Administration (WPA) provided work relief to 7.8 million Americans; in the 1970s, the public service job program funded under the Comprehensive Employment and Training Act (CETA) employed 750,000 people nationwide at its peak.[11] As of fall 1996, more than 30,000 welfare recipients—most of them recipients of Home Relief, a public assistance program primarily for childless adults—were working in unpaid community service positions in New York City.[12] None of these efforts was targeted primarily at disadvantaged single mothers, who predominate in the AFDC program, though the current New York City program includes a growing number of AFDC recipients.

Several factors may help to explain why large-scale work programs for AFDC recipients have been relatively rare. First, administrators have sometimes had trouble identifying and sustaining large numbers of slots that provide opportunities for productive work. Some programs have used subsidies and other inducements to try to persuade private employers to hire recipients who are subject to work mandates. However, as discussed later in this chapter, such efforts have rarely generated a large response, which leaves a high demand for slots in public agencies or nonprofit organizations. But managers at potential public and nonprofit worksites have not always been enthusiastic about accepting workfare assignees. In some cases, agencies have been reluctant to incur supervisory costs for workers who they suspected would not be productive, and in some areas there have been disputes over who is responsible for workers' compensation costs. In addition, welfare agencies have sometimes found it difficult to match workers with worksites in a way that satisfies supervisors, particularly as the scale of the overall program increases.[13]

Finally, efforts to develop sizable numbers of public positions have sometimes been opposed by unions representing public employees, since these initiatives threaten to replace regular paid workers with unpaid welfare recipients. It is worth noting that the current New York City workfare program has been implemented in the context of large reductions in the city's regular, paid workforce.[14]

Costs are a second factor. Mandatory work sounds inexpensive because participants are either unpaid (and receiving welfare) or paid wages that are subsidized with money that would otherwise have been spent on welfare. In fact, however, like any other mandatory program for welfare recipients, workfare involves substantial administrative costs. Staff are needed to identify worksites, match recipients with jobs, and monitor their attendance; to maintain contact with worksite supervisors; and to deal with absences, illnesses, and other attendance problems. Small-scale workfare programs for AFDC recipients studied in the 1980s typically cost $2,000 to $4,000 annually per filled slot (in 1993 dollars), excluding the costs of providing child care for participants' children.[15] Child care costs vary depending on the model: For example, the 1980s programs, which usually targeted parents of school-age children, sometimes kept child care costs down by scheduling work hours to coincide with school hours. Broader mandates and longer work hours would likely generate much higher child care costs. (See the box on pages 66–67 for a general discussion of child care and welfare reform.)

Third, workfare has not fit well with the overall philosophy of many welfare-to-work programs. Most large-scale mandatory programs for welfare recipients have emerged over the past 10 years. During most of this period, program design choices were influenced by a widespread view—based in part on research evidence described later in this chapter—that workfare is not the most effective way to promote a transition to unsubsidized employment. Thus, under the JOBS program, most states deemphasized unpaid work experience in favor of job search, education, and training.

■ *Do work requirements translate into "make-work" jobs?*

Critics of community work programs have questioned whether they provide valuable work experience and useful goods and services or are "make-work" and punitive. Studies of a number of small-scale 1980s AFDC mandatory work programs suggest that:[16]

- The jobs were generally entry-level positions in maintenance, clerical work, park service, or human services.
- Supervisors judged the work important and the performance levels comparable to those of most of their regular entry-level employees. But they did not think that

The Role of Child Care

Welfare reform policies that move large numbers of welfare recipients into jobs or employment-related activities are almost certain to increase the demand for subsidized child care. If this occurs, states will struggle to balance competing goals: controlling costs, increasing the number of children receiving child care, and maintaining quality. These trade-offs will need to be balanced in a way that gives parents access to care and confidence that their children will be in a safe and healthful environment; otherwise, child care issues may jeopardize some parents' job retention or sustained participation in program activities.[1]

To some extent, these goals conflict. Although more expensive care is not necessarily better, there is strong evidence (at least for center-based programs) that children do better when caregivers are trained, child/staff ratios are not too high, and arrangements are stable over time—all factors that are likely to generate higher per-slot costs.[2]

As states move to expand the number of children receiving care, some states may choose to rely more heavily on forms of child care that are not regulated (such as care provided by friends and relatives), because these arrangements tend to be cheaper and the supply of regulated slots (in day care centers and licensed family day care homes) is limited, particularly in low-income neighborhoods. It may be a particular challenge to maintain a stable supply of child care that parents will trust in a system emphasizing unregulated arrangements. Research suggests several other issues for states to consider:

- The cost of child care is affected not only by the type of arrangement (for example, centers versus licensed homes) but also by the nature of welfare reform policies and mandates. Specifically, costs are likely to be much higher if required work activities cannot be scheduled around school hours (because mothers with preschool children are required to participate, or because mothers with schoolage children are required to participate during nonschool hours). Similarly, costs will likely rise if ongoing (rather than temporary) participation is required, or if the required hours of participation are high enough to necessitate full-time, rather than part-time, child care.

participants, for the most part, acquired new or improved skills on the job.

- Most participants responded positively to the work assignments, believed they were making a useful contribution, and thought the work requirement fair. (It is important to note, however, that this reflects only the views of people who actually attended the required work activities and were surveyed; recipients who did not comply with the mandates may have felt differently.)
- Nevertheless, many participants believed that the employer got the better end of the bargain or that they were underpaid for their work. In other words, they would have preferred a regular job.

Thus, participants in these programs generally performed meaningful and valued work; these were not "make-work" jobs. Given the small scale of past work requirement programs, however, it remains unclear whether these relatively encouraging findings would hold up for much larger programs or for programs in which the workfare requirement lasted longer than the 13 weeks typical of 1980s programs. As the scale of a program increases, the quality of individual work placements may become more difficult to ensure.[17]

- Studies have found that parents working in low-wage jobs are more likely than other working parents to work nonstandard hours and to have unstable work schedules. For example, one-third of working poor mothers work on weekends, and half of working poor parents have rotating or changing work schedules.[3] These job characteristics can present an obstacle to arranging for stable child care, particularly in centers or family day care homes, which tend to operate during standard business hours.
- One study found that low-income working families are less likely than other families to get help paying for child care. Higher-income families benefit from tax credits, and poor nonworking families (for example, welfare recipients) are more likely to receive subsidized care.[4] States are likely to struggle to meet the demands created by new welfare reforms without further restricting child care assistance for the working poor.

The 1996 welfare law combines several federal child care programs. Funding has been increased, but is no longer open-ended. States are not required to provide care to parents in work activities (or to those who leave welfare for work); however, a single parent with a preschool child cannot be sanctioned for not complying with work requirements if she or he can prove that needed child care could not be obtained.

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1. Marcia K. Meyers, *GAIN Family Life and Child Care Study* (Berkeley, Calif.: University of California, Family Welfare Research Group, 1992), cited in Deborah Phillips and Anne Bridgman, eds., *New Findings on Children, Families, and Economic Self-Sufficiency: Summary of a Research Briefing* (Washington, D.C.: National Academy Press, 1995), p. 10.

2. Cheryl D. Hayes, John L. Palmer, and Martha J. Zaslow, eds., *Who Cares for America's Children? Child Care Policy for the 1990s* (Washington, D.C.: National Academy Press, 1990); Deborah Phillips, ed., *Quality in Child Care: What Does the Research Tell Us?* Research Monographs of the National Association for the Education of Young Children (Washington, D.C.: National Association for the Education of Young Children, 1987).

3. Sandra L. Hofferth, "Caring for Children at the Poverty Line," *Children and Youth Services Review*, Vol. 17, Nos. 1/2 (1995): 1–21, cited in Phillips and Bridgman, *New Findings on Children*, p. 14.

4. Hofferth, "Caring for Children at the Poverty Line," 1995, pp. 14–15.

Do work requirements reduce welfare caseloads?

Given that work requirements cost money to implement, it is important to consider whether they generate offsetting reductions in welfare spending.

At this point, there is little evidence that mandatory work programs help participants find unsubsidized jobs or reduce welfare caseloads or spending—in contrast to the findings for the welfare-to-work programs described in Chapter 3. In the 1980s, relatively small-scale workfare programs in San Diego, Chicago, and West Virginia were studied using random assignment evaluation designs. The programs in San Diego and Chicago required certain AFDC recipients with no preschool children to work part time in unpaid community service positions for about three months; in West Virginia, the work requirement was ongoing. The programs did not appear to generate substantial employment gains or welfare reductions, which meant that welfare savings did not outweigh the costs of running the programs.[18]

Some have argued that imposing ongoing work requirements on a broader share of the welfare caseload will generate larger welfare savings by inducing people to find jobs on their own, "smoking out" recipients with unreported income, and deterring people from applying for assistance. They contend that recipients who can find paying jobs that provide at least as much income as welfare will have little incentive to enter or stay on welfare if work requirements are enforced. One study that did not use random assignment examined workfare programs that operated in 25 mostly rural Ohio counties in the 1980s. The study found that these programs, which required ongoing participation and achieved high participation rates, reduced the number of two-parent AFDC cases by as much as 54 percent over five years. Caseload reductions were much smaller—generally less than 10 percent—for single-parent families, who account for the vast majority of AFDC cases.[19] Others contend that linking work programs to job clubs and other services that promote the transition to unsubsidized jobs will produce bigger impacts. It is quite possible that new mandatory work models or more intensive work requirements—if they can be implemented successfully—will produce different results than the San Diego, Chicago, and West Virginia programs discussed above. However, at this point, there is limited evidence to confirm either the feasibility of these policies or their ability to generate larger impacts.

Are work requirements cost-effective?

Proponents of mandatory work programs hope that they will make welfare recipients more employable, deter people from coming on or staying on welfare, provide useful community services, and meet the public's preference for providing support only if people are working. This suggests three possible yardsticks for measuring whether the public comes out ahead: a strictly budgetary measure (comparing savings to costs), a measure that also considers the value of the goods and services produced by the welfare workers, and a (more hypothetical) measure that also includes the public's preference for work.

The best current evidence (summarized above) suggests that, in contrast to the findings for many welfare-to-work programs emphasizing job search, education, and/or training, work requirements have usually failed the first test: Program costs were not offset by budget savings. (That is, as noted above, programs typically cost between $2,000 and $4,000 a year per filled slot, plus child care, and generated small, if any, offsetting savings in reduced welfare costs or increased tax payments.) However, the same studies show that the workfare programs usually passed the second test: When the value of the work was factored in, program benefits typically exceeded operating costs.[20] It is difficult to see how the third measure could be estimated, but it is certainly plausible that the public would be willing to spend more on welfare if the program was seen as requiring rather than discouraging work.

■ *What are the pros and cons of subsidizing employers to hire welfare recipients?*

For many years, public agencies have used taxpayer-financed subsidies to encourage private employers to hire and, in some cases, train welfare recipients and members of other disadvantaged groups. Under one of the most common models, on-the-job training (OJT), employers receive a subsidy worth about half of the employee's wages during a training period lasting several months; the employee is paid regular wages during this period. In some cases, the employer subsidies are funded by welfare payments through a mechanism called grant diversion or work supplementation: When a recipient goes to work, her grant is reduced according to normal welfare rules; but, under a special arrangement, the amount of the reduction is "diverted" to pay for the employer subsidies.[21] Incentives have also been provided in the form of tax credits, such as the federal Targeted Jobs Tax Credit (TJTC), which was available to employers who hired members of certain disadvantaged groups.[22]

Employer subsidies have often been used in welfare-to-work programs to boost participants' chances of being hired, or to provide them with on-the-job training. Recently, some have seen subsidies targeted to private employers as a key component of mandatory work programs; they expect that some welfare recipients will be able to meet work requirements by working in subsidized private-sector jobs, rather than community service positions. Wisconsin expects a large number of W-2 positions to be subsidized private jobs.

The evidence on these employer-targeted strategies is mixed. On the one hand, several studies of voluntary OJT programs—in New Jersey, Maine, and 16 Job Training Partnership Act (JTPA) programs around the country—found that OJT can raise welfare recipients' earnings. In some cases, earnings increased because participants got higher-paying jobs, while in other cases they increased primarily because more people found jobs.[23] Similar results were found in a study of programs in seven states that provided AFDC recipients with four to eight weeks of formal training and up to one year of subsidized employment with agencies providing home care to functionally impaired people. In the third year of the follow-up period, there were significant increases in earnings in five states and significant reductions in AFDC payments in four states.[24]

On the other hand, subsidy programs have typically generated limited interest among employers, and have served only a narrow slice of the welfare population. Studies conducted in the 1980s concluded that states should not see this approach as the central feature of employment programs intended to serve a broad cross-section of welfare recipients.[25] Nationally, OJT and wage supplementation are among the least-used components in most states' JOBS programs: In fiscal year 1994, less than 1 percent of JOBS participants nationwide were in either of these components.[26]

In addition, studies of some kinds of employer incentives indicate that job-seekers who tell employers that they are eligible for subsidies are actually less likely to be hired, presumably because some stigma is associated with being eligible for a subsidy. However, it is important to note that these results were found for programs in which job-seekers themselves, rather than trained program staff, were responsible for "selling" the subsidy to employers.[27]

Finally, with any program of this type, there is the potential for a "windfall effect": Employers may get subsidized for hiring people they would have hired anyway. Several studies of the federal Targeted Jobs Tax Credit found that many employers who received the credit did not make any special efforts to hire eligible workers and, in fact, often did not know whether newly hired employees were eligible until after the hiring decision had been made.[28]

■ *Can work experience programs succeed with the most disadvantaged welfare recipients?*

As states attempt to implement work requirements that cover a broad share of the welfare caseload, it will be important to consider whether there are particular work strategies that are likely to be effective with the most disadvantaged welfare recipients, individuals who have often been exempted from participation mandates in the past. One approach is to broaden the definition of an acceptable work activity. As discussed in Chapter 3, Utah, a state that has virtually eliminated exemptions from participation requirements, has also expanded its view of participation to include mental health counseling, drug and alcohol treatment, parenting classes, and other activities. States will need to consider how this approach affects their ability to meet federal participation rates, since "nontraditional" activities do not count under the 1996 law. (At the same time, it seems likely that the recipients for whom such activities are most appropriate may not be the best candidates for activities that do count.)

Supported Work is an example of a work experience model specifically designed for a very disadvantaged subset of the welfare population. This model, tested in the 1970s, was a highly structured, paid work experience program for very long-term AFDC recipients (and several other disadvantaged groups). Participants, who volunteered for the program, were placed at worksites in groups, closely supervised, and gradually subjected to higher expectations on the job. They could remain in the program for 12 to 18 months, earning wages that were partially subsidized with welfare benefits, and were then assisted in locating unsubsidized jobs.[29]

A random assignment study showed that Supported Work increased earnings and reduced welfare receipt. Three years after entering the program, members of the Supported Work group were 10 percent less likely to be receiving AFDC than were control group members; their average earnings were 23 percent higher. Moreover, although Supported Work was quite expensive—it cost more than $20,000 per person in 1993 dollars—the program generated a net gain for taxpayers.[30]

Although Supported Work has rarely been used in the past 15 years—and was not tested in the context of a mandatory work program—this general approach may assume greater importance if states attempt to impose work mandates on welfare recipients who have usually been exempted from past mandates. States have considerable flexibility to use TANF funds for wage subsidies and publicly funded jobs.

■ *What are the biggest unanswered questions about mandatory work?*

The most critical open questions about mandatory work pertain to the feasibility and cost of running large-scale programs. History suggests that work requirements covering a broad share of the welfare caseload and demanding ongoing participation will face major implementation challenges. While some recipients may be able to meet the requirements by finding unsubsidized jobs—a more likely outcome in states with higher grant levels and those with more generous earned income disregards (discussed in Chapter 5)—states seeking to impose broad work mandates are likely to need many publicly funded community service positions. Because large-scale public jobs programs have not operated in most areas since the 1970s, operational knowledge and experience may be in short supply.

If large-scale work programs are implemented, it will be important to learn the extent to which they produce welfare savings and valued community services that at least partially offset their costs. Models demanding many hours of participation over long periods are likely to generate much higher child care costs than did the programs tested in the 1980s. (This is partly because the earlier programs did not mandate participation by mothers of preschool children and often scheduled work hours to coincide with school hours.) Some believe, however, that higher child care costs will be outweighed by larger reductions in welfare caseloads. The level of savings may depend in part on whether programs can be designed to promote a transition to unsubsidized employment. Further, if work programs ever do involve a large share of the welfare caseload, it will be important to find cost-effective strategies for the most disadvantaged welfare recipients, and to explore whether there are any negative effects on the low-wage labor market or whether other workers are displaced.

Initiatives in which mandatory work positions are designed to resemble regular, paid jobs may face another challenge. Participants may be paid only for the hours they work. This is in contrast to traditional unpaid work experience programs, in which participants' welfare grants may be reduced somewhat if they miss work. It will be important to learn how this newer type of program affects the well-being of children whose parents cannot or do not work steadily.

Chapter 5

Changing Financial Incentives

Policies designed to boost the financial incentives for welfare recipients to work have figured prominently in reform strategies since the late 1960s and are also part of many states' current welfare plans.

As discussed in earlier chapters, welfare recipients who go to work usually obtain relatively low-paying, often part-time jobs that provide few if any fringe benefits; in addition, most do not receive steady child support payments. A full-time, minimum wage job pays more than AFDC for most families (and triggers eligibility for the Earned Income Tax Credit, discussed below), but recipients who work are likely to incur new expenses for child care and transportation, while a range of government benefits—including AFDC, Food Stamps, and sometimes housing assistance—are reduced. Moreover, the loss of AFDC benefits may also trigger a loss of Medicaid coverage for some family members.[1]

Studies suggest that many welfare recipients clearly understand the financial trade-offs between work and welfare. One study interviewed welfare recipients about the pros and cons of working, noting that recipients usually described the benefits of working in nonmonetary terms because they believed that working would not improve their financial situations.[2] Although these nonmonetary advantages are apparently attractive enough to persuade many welfare recipients to take jobs, the financial disincentives probably deter others from going to work and, just as important, may contribute to poor job retention among those who do. (Of course, there are also nonmonetary costs associated with working—for example, less time is available to spend with children—and these costs may also affect decisions about work.)

Recent economic trends have magnified the importance of this issue. For more than two decades, the earnings of young adults without post-secondary schooling have been either falling or stagnant.[3] In addition to affecting the trade-off between welfare and work (by reducing the financial benefits of work), these conditions have increased the proportion of working families who remain poor: In 1978, the poverty rate for families with children in which the head of household worked was 7.8 percent; by 1994, it had grown to 11.1 percent.[4]

There are two ways to make work more financially attractive relative to welfare: Either reduce the amount of welfare that is available to nonworking families or bolster the incomes of working families. Many states are pursuing the first approach (for example, by imposing time limits or by not increasing welfare grant levels to take account of inflation), but it has limitations; for example, it does not address the financial difficulties of low-income working families, and it may weaken the safety net for children whose parents are unable to work steadily. Thus, support has also grown for "make-work-pay" policies that supplement the earnings of parents who work in low-paying jobs by providing cash or non-cash assistance such as subsidized child care or health insurance.[5] These policies promise to reward work and improve the financial well-being of low-income working families. In addition, policymakers hope that make-work-pay strategies will increase the percentage of welfare recipients who take and hold jobs, though the policies do not directly affect the availability of jobs or the ability of recipients to compete for the jobs that exist.

While policymakers are moving decisively to make work pay, until recently the conventional wisdom among researchers was that these policies—while clearly making working families better off—have not been very successful in increasing work among welfare recipients. However, a new round of sophisticated studies, now under way and discussed below, challenges this conventional wisdom. To learn whether financial incentives can live up to their promise, this chapter addresses the following questions:

- What are the key strategies for making work pay?
- What are the benefits and costs of make-work-pay policies?
- What factors might influence the effectiveness of a financial incentive program?
- What are the pros and cons of alternative strategies for making work pay?
- What are the biggest unanswered questions about policies for changing work incentives?

■ *What are the key strategies for making work pay?*

There are several ways for government to make work pay better for low-income working families. These strategies might be categorized as follows:

- **Changing welfare rules.** There are several ways to alter the welfare rules to promote work. One popular approach is to change the rules so that grants are not reduced as much or as abruptly when a recipient finds a job or earns more. This is typically done by disregarding (not counting) a portion of recipients' earnings when their grant amounts are calculated.[6] This increases the incentive to work by allowing families with low earnings from either low wages or part-time work to retain at least a partial welfare grant to supplement their earnings (see the box on pages 74–75). A national earned income disregard was added to AFDC in 1967 but was cut back in 1981. In the past several years, the pendulum has swung back: More than 30 states requested or obtained federal waivers to expand earned income disregards.[7]
- **Creating alternatives to welfare.** A few experimental projects have created alternative income support programs that are designed to reward work rather than nonwork. These programs have been tested alongside AFDC in specific locations; recipients have been encouraged—but not required—to switch from AFDC to the new program. The New York State Child Assistance Program (CAP), Milwaukee's New Hope Project, and Canada's Self-Sufficiency Project (SSP), all discussed below, are examples of this approach.

- **Supplementing the earnings of low-income working families outside the welfare system.** An important example of this approach is the federal Earned Income Tax Credit (EITC) and similar credits available in seven states. Created in 1975, the federal EITC now provides a tax credit of up to $3,556 per year to low- and moderate-income working families with children, and a smaller credit to some very low-income childless workers. The credit is "refundable," which means that families receive a check from the government if their credit exceeds their tax bill. The state EITCs are mostly modeled on the federal credit, although three of the seven are not refundable.[8] Policies that provide subsidized health care coverage and/or child care assistance to low-income working families also fall into this category. (The Food Stamp program also supplements the income of many low-wage working families, though it is not targeted specifically at this group.[9])

- **Easing the transition off welfare.** A fourth approach is to offer temporary, "transitional" benefits to people who leave welfare for work. The Family Support Act of 1988 required states to provide transitional Medicaid and child care assistance for one year to certain categories of people who leave welfare for work. (The 1996 federal welfare law discontinues the transitional child care requirement, although states

How Earned Income Disregards Work

The table opposite illustrates the effect of two different types of earned income disregards for a single parent with two children who is receiving a welfare grant of $450 per month and then finds a job. The left panel shows what would happen if she worked 20 hours per week at $5 per hour, while the right panel assumes she is working 35 hours per week at the same hourly wage. (These examples are oversimplified; most formulas also allow recipients to disregard certain child care expenses.)

The first type of disregard changes the "benefit-reduction rate." Under this formula, the welfare grant is reduced by 50 cents for each additional dollar earned. The second type, used more commonly in the AFDC program, disregards a flat amount of money per month and then also changes the benefit-reduction rate. In this example, benefits are reduced 80 cents for each additional dollar earned over $200 per month. As these examples show, earned income disregards are particularly beneficial for people working part time for low wages. (The second formula is slightly preferable for people with very low earnings because the first $200 in earnings does not reduce the grant at all.)

As the last rows of the table show, Food Stamp benefits are an important part of this calculation. The Food Stamp program has uniform national rules, under which both earnings and AFDC count as income.[1] Thus, families with more income from AFDC and/or earnings receive less in Food Stamps.[2]

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[1] The Food Stamp calculation uses 1996 benefit rules, and assumes the family's monthly rent is $301.

[2] These examples do not include information about the Earned Income Tax Credit (EITC), which would provide additional income of about $173 per month to a family with two children earning $433 a month, and about $296 per month in additional income for a family of this size earning $758 per month. Most families receive the EITC in a lump sum at tax time. In addition, the examples do not consider other expenses such as child care and health insurance; subsidies for these expenses may be affected by whether the family is receiving welfare.

are free to continue such a policy.) In recent years, several states have obtained waivers to extend one or both of the transitional benefits beyond one year, or to make it easier for recipients to obtain these benefits. The Self-Sufficiency Project, mentioned earlier, can also be seen as a transitional policy; SSP provides temporary cash supplements to people who leave welfare and work full time.

All of these strategies improve the financial well-being of low-income working families, and all reward work rather than nonwork. At the same time, all are public transfers of income and thus, some might argue, forms of dependency. As is discussed shortly, the four approaches have different advantages and disadvantages as strategies for furthering the core goals of welfare reform: reducing dependency, supporting children, and controlling costs.

■ *What are the benefits and costs of make-work-pay policies?*

The benefits of make-work-pay policies are fairly clear:

- These policies improve the financial condition of at least some low-income families, while rewarding work. The discussion in Chapter 1 explained why these goals can be difficult to reconcile.

	Working 20 hours per week at $5 per hour			Working 35 hours per week at $5 per hour		
Measure	No disregard	50% disregard	$200 plus 20% disregard	No disregard	50% disregard	$200 plus 20% disregard
1. Monthly earnings	$433	$433	$433	$758	$758	$758
2. Amount of earnings disregarded	$0	$216	$247	$0	$379	$312
3. Amount of earnings counted against welfare grant (1 minus 2)	$433	$217	$186	$758	$379	$446
4. Welfare grant after earnings are deducted ($450 minus 3)	$17	$233	$264	$0	$71	$4
5. Food Stamp benefits	$300	$203	$189	$191	$159	$189
6. Total income from welfare, Food Stamps, and earnings (1 plus 4 plus 5)	$750	$869	$886	$949	$988	$951

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- Work incentives in the form of earned income disregards increase the percentage of the welfare caseload that is working even if no additional people go to work. This could alter public perceptions of welfare. It might also assist states in meeting federally mandated participation rates (see the box on page 77).
- Make-work-pay policies may cause *additional* people to go to work. The added resources provided by the incentives could also help some working families weather temporary crises that might otherwise cause them to lose jobs. This, in turn, might allow some to start up a "career ladder" and eventually earn their way off welfare permanently. If a make-work-pay policy increases work among welfare recipients, the policy will decrease dependency because families will contribute more to their own support.

The public might be willing to pay more to achieve one or more of these outcomes, but public costs matter. The bottom line for taxpayers depends on the balance between two different effects, one that reduces costs and one that increases them.

Earned income disregards illustrate this trade-off: On the one hand, expanded disregards may persuade some people to work who would not have worked otherwise, or allow some people to remain employed longer. If so, most of these families will receive smaller welfare grants than they would have, thereby lowering public costs.

On the other hand, the new rules will also benefit people who would have worked anyway (economists call this a "windfall" benefit). Some of these families will remain eligible for at least a partial welfare grant during months when they would have been ineligible under the old rules. In other words, the disregard holds them on welfare longer, leading to higher costs and a larger welfare caseload. In addition, depending on how they are designed, expanded disregards may extend welfare eligibility to working poor families who were not previously eligible (some of whom might work fewer hours when given the opportunity to supplement their earnings with a welfare check).

These contradictory forces exist in virtually all make-work-pay policies, whether they operate inside or outside the welfare system. But the evidence is mixed and incomplete on which effect will dominate: that is, whether make-work-pay policies persuade many additional people to work, or mostly help people who would have worked anyway.

Early studies of financial incentives. Non-random assignment studies completed in the 1970s and 1980s found that changing financial incentives did not generate large changes in welfare recipients' employment patterns. For example, a study of the original 1967 AFDC earned income disregard estimated that the policy increased work by less than one hour a week.[10] Similarly, in 1981, when the national earned income disregard was cut back, several studies concluded that the change did not reduce work.[11] (Until the 1996 welfare law ended federal rules for counting earnings, a substantial earned income disregard was allowed only during an AFDC recipient's first four months of work—unless a state obtained waivers to implement a different formula.[12])

The Negative Income Tax (NIT) Experiments, which operated in several states in the 1960s and 1970s, produced similar results. The NIT was an alternative income support program that provided more generous cash payments to a broader range of families than did AFDC. Because it extended eligibility for cash payments to some working

Expanded Earned Income Disregards: Two Scenarios

Consider three hypothetical states. State A makes no changes in the welfare rules, while States B and C both increase the earned income disregard in exactly the same way. Further, suppose State B does a poor job of implementing the new rule: Staff do not tell recipients about the change, so it induces no additional people to work. In State C, the program is well run. The results over the next 12 months might look like this (assuming, unrealistically, that no new people entered welfare and that no one left for any reason other than employment). The numbers are made up, but they illustrate the main point: that earned income disregards will increase the employment rate among those receiving welfare, even if they do not persuade any additional people to work.

Outcome	State A	State B	State C
1. Number on welfare, January 1	1,000	1,000	1,000
2. Number who went to work during the year	400	400	600
3. Number who were induced to work by the incentive	n/a	0	200
4. Of those who went to work, the number who remained eligible for a partial welfare grant	80 (20%)	240 (60%)	360 (60%)
5. Of those who went to work, the number who left welfare (2 minus 4)	320 (80%)	160 (40%)	240 (40%)
6. Number on welfare at the end of the year (1 minus 5)	680	840	760
7. Percentage of the caseload working at the end of the year (4 divided by 6)	12%	29%	47%

The disregard did not increase employment in State B: The number of people who went to work (400) was the same as in State A, where the rules did not change. Nevertheless, because the new rules allowed a greater proportion of working families to retain a partial welfare grant, the percentage of the caseload working at the end of the year was much higher in State B than in State A (29 percent versus 12 percent). In addition, State B's policy made some families better off financially. The welfare caseload grew, however, and costs probably rose.

In contrast, State C's policy persuaded 200 more people to work. The proportion of these working families who retained eligibility for some welfare (60 percent) was the same as in State B because the two states made the same rule change. But the overall results were different: State C's caseload was larger than State A's at the end of the year, but welfare spending may have been lower because many of the working families probably received lower welfare grants than they would have otherwise. In addition, welfare looked much different in State C: Rather than being a program primarily for nonworking families, it became, for many families, a program that supplemented earnings. Finally, many low-income working families were better off financially.

One final point should be mentioned: In real life, observers of State B's program would probably not have the data from the other states for comparison. They would see only that the employment rate among welfare recipients rose. The full story—that the state's new policy did not increase employment overall—would not likely be observed.

families who were not eligible for AFDC, the NIT was recognized as likely to induce some of these families to work less (though of course that was not its intent). At the same time, different "benefit-reduction rates" were tested to determine their effects on AFDC recipients (these rates are conceptually similar to earned income disregards). For example, would reducing NIT benefits by only 50 cents, rather than 70 cents, for every dollar earned induce more welfare recipients to become employed? It turned out that lower benefit-reduction rates did not produce consistent gains in employment, hours worked, or earnings.[13]

More positive results from recent studies. Recent studies, notably two in Canada (where the welfare system is similar to AFDC) and New York State, have found that certain kinds of financial incentives can generate more employment among welfare recipients.

The Self-Sufficiency Project (SSP), an ongoing experiment in two Canadian provinces, provides monthly earnings supplements for up to three years to single parents who have received welfare for at least one year and who then leave welfare for full-time work. Administratively, SSP operates outside the welfare system.

SSP is important because (except in one special study) it is testing *only* financial incentives; in many other studies, incentives are combined with other policy changes, making it hard to isolate their effects. SSP is also a good test of making work clearly pay: For most workers earning in the $5 to $8 per hour range, the supplement effectively doubles their earnings and gives them a total pre-tax income (earnings plus supplements) that is about twice what a family would receive by remaining on welfare and not working. After accounting for taxes (the supplements are taxable), child care costs, and other factors, a typical single parent working 30 hours per week would have $3,000 to $5,000 more income per year under SSP than under welfare.[14] (All figures are in Canadian dollars.)

SSP, which began operating in 1992, has been well implemented. Eligible single parents understood how the supplement worked and that (in most cases) they would be much better off financially if they got a full-time job and left welfare. In the peak month, approximately 25 percent of eligible parents worked full time and received supplements.[15]

Early results indicate that SSP has generated large increases in full-time employment, hours worked, and earnings. For example, as Table 5.1 shows, in months 13 to 15 of the follow-up period, SSP had doubled the full-time employment rate, increased average monthly hours of work by 66 percent, raised average earnings by 58 percent, and boosted participants' total income by 23 percent. The program also reduced welfare receipt and welfare spending, although, in the short run, these savings were more than offset by the cost of supplement payments. SSP raised costs for taxpayers by about $94 per month per program group member (as shown in the "average amount of welfare or SSP received" line in the table). This investment yielded a $137 average increase in monthly earnings and a $231 average increase in monthly income for participants.

If SSP increased employment and earnings and reduced welfare spending, why would it cost more than welfare overall? Because, judging by the control group, about half of the program group members who went to work full time would have done so even if SSP had not existed. For this group, SSP did not generate any savings—they would have left welfare anyway—but it did incur costs, since these people received

Table 5.1

Average Monthly Impacts of the Self-Sufficiency Project (SSP) in Months 13 to 15 of the Follow-Up Period

Outcome	Program group	Control group	Difference (impact)	Percentage change
Percentage who worked	40.8%	27.7%	13.1*	47%
Full time	25.3%	12.3%	13.0*	106%
Part time	15.5%	15.4%	0.2	1%
Average hours of work	50.4	30.4	20.0*	66%
Average earnings	$373	$236	$137	58%
Percentage who received welfare	71.3%	84.8%	-13.6*	-16%
Average amount of welfare received	$656	$772	-$117*	-15%
Percentage who received welfare or SSP	94.1%	84.8%	9.2*	11%
Average amount of welfare or SSP received	$866	$771	$94*	12%
Total income from SSP, welfare, and earnings	$1,238	$1,007	$231	23%

SOURCE: Adapted from David Card and Philip K. Robins, *Do Financial Incentives Encourage Welfare Recipients to Work? Initial 18-Month Findings from the Self-Sufficiency Project* (Vancouver, B.C.: Social Research and Demonstration Corporation, 1996), Table ES-1 (p. ES-3).

NOTES: An asterisk indicates that the impact estimate is statistically significant at the 5 percent level—that is, there is at least a 95 percent probability that the program actually had an impact.

Totals may be slightly discrepant because of rounding.

supplement payments. In contrast, the single parents who went to work *because of SSP* essentially traded their welfare checks for SSP supplement checks.

The final story on SSP is not yet known. In the short run, or "in-program period," SSP has substantially increased both earnings and family income. In the long run, however, it will be critical to see what happens when the three-year supplement period ends. If program group members continue working at a higher rate than control group members, and if they do not return to welfare, SSP could actually save money. Alternatively, if participants lose their jobs and return to welfare, the program will not have succeeded in producing a durable transition from welfare to work.

New York State's Child Assistance Program (CAP) was designed as an alternative to traditional welfare; recipients must choose either to remain on AFDC and Food Stamps or to enroll in CAP (though they can switch back later). CAP provides lower benefits for nonworking families (about two-thirds of the AFDC grant), but it also includes a dramatically lower "benefit-reduction rate": CAP benefits are reduced by only 10 cents for each dollar earned for the first several hundred dollars of earnings per month, and by 67 cents for each additional dollar earned.[16] To qualify for CAP, single parents must have a court order for child support for at least one of their children. To make the switch to CAP financially worthwhile (that is, to get a higher income than under AFDC), a parent with two children (both covered by support orders) must earn at least $350 a month.

An experimental design was used to measure CAP's results in three New York counties over a five-year period. Recipients who were randomly assigned to the program group were encouraged to switch to CAP, while those assigned to the control group were subject to traditional AFDC rules and were not eligible for CAP. The results are similar to SSP's early impacts in some respects, and quite different in others.[17]

Like SSP, CAP resulted in welfare recipients' working more. During the five-year follow-up period, program group members earned, on average, 20 percent more than control group members. In Monroe (Rochester), the most successful county program, program group members earned, on average, $3,600 (28 percent) more than control group members during the five-year period. These results are particularly notable because, across all three counties, only 16 percent of program group members actually made the switch from AFDC to CAP. This suggests that the people who were directly affected by CAP worked much more than they otherwise would have worked (although, as discussed below, it also seems likely that CAP affected the behavior of some people who never actually enrolled in the program).

Unlike SSP, which has made participants much better off but has increased short-term public spending, CAP generated a small decrease in public spending: Program group members actually received about $2,000 less in public assistance, on average, over the five-year period (including AFDC, CAP, Food Stamps, and Medicaid benefits)—a decrease of about 4 percent. (At the two-year point—perhaps a better comparison to the early SSP results—CAP had neither increased nor decreased public assistance spending.[18]) Despite the program's generous financial incentives, however, CAP made families only slightly better off financially: Across all three counties, program group members' average incomes (counting earnings, child support, and public assistance) were about 2 percent higher than control group members' incomes over the five-year period (incomes were about 4 percent higher at the two-year point).[19]

In sum, CAP provided a generous financial incentive to working families without increasing public spending. How is this possible? In general, it appears that the people who worked more because of CAP received less public assistance than they would have received otherwise, offsetting the fact that CAP also paid higher benefits to some people who would have worked anyway.

In addition, it appears that the combination of CAP's design, its unusual eligibility rules, and the way the program was implemented created several situations in which people responded to CAP's incentives but received smaller amounts of public assistance than might have been expected. For example, some people, encouraged by CAP's incentives, found jobs while they were still receiving AFDC, but then waited several months before entering CAP (perhaps because they wanted to make certain their jobs were stable or because they were waiting to establish support orders). Before making the switch, these working families were subject to the less generous AFDC rules; in essence, they were induced to work by CAP, but did not fully benefit from its incentives. Similarly, many people who entered CAP earned much more than the minimum amount needed to make the switch worthwhile: People were earning nearly $700 per month, on average, when they switched to CAP. Families with high earnings did not receive as much money from CAP because, as noted above, CAP grants are reduced by 67 cents for each dollar earned above a certain point. In other words, people did not necessarily adjust their work hours to maximize the amount of money they could receive from CAP. (Some may have had difficulty controlling exactly how many hours they worked.)[20] Finally, it seems likely that some people went to work because of CAP but never entered the program at all, perhaps because they were unable to establish a support order or because their earnings were too low to make the switch worthwhile.

The CAP results illustrate several of the complicated design issues that may affect the results of a financial incentive program. They also show that, while incentives can clearly alter behavior, people do not always act to maximize their financial situation; other factors can also exert a strong influence on their decisions about work and welfare.

New studies of earned income disregards. As noted above, studies of 1967 and 1981 federal policy changes suggested that earned income disregards have little effect on AFDC recipients' work patterns. More recently, several studies have examined this question using random assignment research designs; the results have been mixed, as discussed below.

Minnesota's Family Investment Program (MFIP) increases earned income disregards, converts Food Stamps to cash, and imposes new welfare-to-work mandates on long-term welfare recipients (defined as those who had received welfare for 24 of the previous 36 months), among other departures from traditional public assistance. Under MFIP, working recipients' grants are essentially increased (by an amount that varies by family size) and then reduced by 62 cents for each dollar earned. In practice, a single parent of two children who works 20 hours a week at $6 an hour is able to keep $237 more per month in benefits than under the regular AFDC program—$148 more if she works 40 hours a week.[21] In contrast to the four-month restriction on earned income disregards in the AFDC program, an MFIP participant can continue to receive benefits as long as her total income remains below 140 percent of the poverty line.

Table 5.2 shows MFIP's results over the first 18 months of the follow-up period for people who were long-term recipients when they entered the program, and thus were immediately subject to participation mandates. The table compares MFIP participants (the MFIP group) with members of a control group that is subject to traditional AFDC rules and is not required to participate in employment-related activities. As the table shows, the combination of MFIP's financial incentives and participation mandates generated substantial increases in employment and earnings. (An evaluation report scheduled for 1997 will include additional data that will help to disentangle the effects of the incentives from those driven by the mandates.[22])

MFIP's incentives benefited not only people who went to work because of the program but also people who would have worked anyway (the employment rate for the control group indicates that 59 percent of program group members would have worked with or without MFIP). Partly for this reason, MFIP increased welfare spending and the number of people receiving welfare. As in SSP, however, the program-generated increase in family income was larger than the increase in welfare spending because earnings also rose. Thus, members of the MFIP group had higher total income from earnings and public assistance and were much less likely to be living below the poverty line; reducing poverty is an explicit goal of the Minnesota program. In sum, unlike many of the welfare-to-work and mandatory work programs discussed in Chapters 3 and 4, MFIP has

Table 5.2

Minnesota's Family Investment Program (MFIP): Impacts for Long-Term Welfare Recipients Over an 18-Month Follow-Up Period

Outcome	MFIP group	Control (AFDC) group	Difference (impact)	Percentage change
Quarters 2 through 7				
Percentage who were ever employed	76.0%	59.0%	17.0***	28.8%
Average total earnings per person	$4,912	$3,871	$1,041***	26.9%
Average total welfare benefits per person[1]	$11,074	$10,256	$818***	8.0%
Average total income from welfare and earnings	$15,986	$14,127	$1,859***	13.2%
Percentage with income below the 1995 poverty level	43.8%	60.2%	-16.4***	-27.2%
Quarter 7 only				
Percentage who were employed	52.1%	37.6%	14.5***	38.7%
Percentage who received welfare	80.6%	76.9%	3.7*	4.8%

SOURCE: Early data (released by the State of Minnesota in January 1997) from a forthcoming MDRC report on the MFIP evaluation.

NOTES: [1]"Welfare benefits" include AFDC, Food Stamps, and Family General Assistance for participants in the AFDC program, and MFIP payments for participants in the MFIP program.

These results include only single-parent families in the Minneapolis metropolitan area. Long-term recipients are here defined as those who had received welfare for 24 of the previous 36 months.

Impact estimates marked with three asterisks are statistically significant at the 1 percent level—that is, there is at least a 99 percent probability that the program actually had an impact on that outcome. The estimate that is marked with one asterisk is statistically significant at the 10 percent level.

increased both work and family income for this group of recipients, but it has also raised welfare spending.

MFIP's early results are less impressive for people who entered the program when they were applying for welfare. For this group—which received MFIP's incentives but was initially not subject to participation mandates—the program raised incomes but not earnings. Because the incentives primarily benefited applicants who would have worked anyway, the program substantially increased welfare spending for this group.

These are early results, and MFIP's impacts for both groups could change dramatically over time. In contrast to SSP, MFIP is permanent, not temporary; it mixes a range of other services and mandates with its incentives; and it is somewhat less generous than SSP. The effect, if any, of these design differences will be important to gauge.

A Michigan welfare-to-work program, To Strengthen Michigan Families, modestly increased the earnings disregard and created a new "Social Contract" under which welfare recipients agree to engage in work-related activities for 20 hours per week (acceptable activities include employment, education, training, and community service, among others). Under the new rules, the first $200 of a recipient's monthly earnings plus 20 percent of the remainder are disregarded when calculating AFDC benefits. As in Minnesota, the earned income disregard is available for as long as a family receives AFDC.

At the two-year follow-up point, the program was found to have produced a small increase in the employment rate—almost 35 percent of recipients subject to the program were working, compared with about 32 percent of those in the control group—and a small reduction in welfare caseloads and costs. There was also a slight increase in the percentage of people combining work and welfare. As in Minnesota, effects were concentrated among single-parent welfare recipients, not two-parent families, and not new applicants for welfare.[23]

A program in the state of Washington provided financial incentives to encourage work and participation in education and training, converted Food Stamps to cash, provided transitional child care assistance and medical coverage to people leaving welfare for work, and made other changes. An evaluation that did not use random assignment found that recipients in counties with the new program were no more likely than those in comparison counties to work or to participate in education and training. As a result, the program led to a substantial increase in welfare caseloads and spending: Apparently, it paid incentives to people who would have worked anyway, without inducing additional people to work.[24]

The bottom line. In contrast to earlier research, recent studies indicate that, in addition to improving the financial well-being of working families, financial incentive policies can significantly increase work among welfare recipients. However, not all programs have achieved this result. Moreover, different models have generated quite different impacts on government budgets: Some have saved money, while others have increased spending. The next section discusses some possible explanations for these different results.

Finally, the research indicates that strategies based on financial incentives are limited in some respects. Even in generous, well-run programs such as SSP and CAP, many welfare recipients do not go to work. This strongly suggests that the financial trade-off between welfare and work is only one of the reasons why some people remain on welfare for long periods. Other factors—perhaps related to the availability of jobs, family responsibilities, recipients' physical or emotional problems, or levels of motivation—probably play a role as well.[25]

■ *What factors might influence the effectiveness of a financial incentive program?*

It is premature to reach definitive conclusions on this issue, because several of the cited studies are not yet complete. It appears, however, that a number of factors may help to explain why some models may be more effective than others in increasing employment rates and earnings, enhancing the income of working families, or lowering welfare costs. These include the incentive's design (especially its size), implementation, and interaction with other services or rules implemented alongside it.

Design. A more generous incentive—one that gives a larger boost to working families—will do more to increase incomes and, in theory, should generate a larger increase in work among welfare recipients. More generous policies are also likely to cost more.

The results cited earlier appear to support the link between generosity and employment impacts: SSP and New York State CAP, two programs that offered generous work incentives, have generated substantial increases in earnings and employment among welfare recipients. In contrast, the Michigan program offered a much smaller incentive and produced smaller impacts.[26]

At the same time, the results described earlier do not show a clear relationship between generosity and cost. In other words, the more generous incentive programs are not necessarily the most expensive. This may be because the most generous programs, SSP and New York's CAP, both include rules that narrow eligibility for their incentives. For example, SSP's supplements are available only to people who receive welfare for at least one year and then work full time, while CAP is offered only to parents with court orders for child support, and it is financially worthwhile only for parents earning more than $350 per month. These rules keep costs down by targeting the incentives more directly to people who would not have worked anyway, although they also reduce the number of families whose incomes are raised by the incentives.

Generosity is also likely to be an important factor in state programs that include earned income disregards. In general, policies that disregard a larger share of earnings will create a stronger work incentive and raise incomes more, but they also have the potential to increase welfare caseloads and to generate higher costs (because, as described earlier in the chapter, the disregards are likely to benefit many people who would have worked anyway). There is also an important interaction between disregard policies and welfare grant levels: A state that pays low welfare grants would be unable to supplement family incomes much even with a very generous disregard.

Other aspects of an incentive's design are also important. For example:

- **The administrative structure.** Two models that have generated significant increases in work, CAP and SSP, operate outside the welfare system; for example, the programs have separate offices and staff. While it may be costly and complex to create new structures, these programs' incentives may have been bolstered by the fact that participants can receive assistance without the stigma of welfare.

- **The timing of payments.** Some have argued that the Earned Income Tax Credit, while fairly generous, does not provide a practical work incentive to many welfare recipients because the vast majority of families receive the credit in a lump sum at tax time. Thus, the money may not help many families meet day-to-day expenses. To address this problem, several states have proposed to distribute federal EITC benefits to working families on a monthly basis.[27] (Families are permitted to receive part of the credit in their paychecks through a mechanism called advance payment, but few do so.)

- **The form of the incentive.** Some make-work-pay strategies provide assistance in the form of cash, while others provide in-kind benefits such as subsidized health insurance or child care. There is little hard evidence available to determine whether one form of incentive is more effective than the other, but it seems plausible that this distinction matters for some families. Surveys suggest that many welfare recipients are concerned about the costs of child care and health care if they go to work. In-kind benefits, however, are not as flexible as cash and might not target the most salient issues for all families.

Implementation. A financial incentive policy that is designed to increase the number of welfare recipients who take jobs will not achieve this goal unless eligible recipients know the incentive exists and understand how it works. Thus, marketing and communication are critical to the success of this type of policy. For example, if the earned income disregard is increased, but staff do a poor job of marketing this change to recipients, the policy will mostly benefit people who would have gone to work anyway. The policy might still produce beneficial results—incomes will rise, the employment rate among welfare recipients will increase, and job retention might improve—but costs and caseloads would likely rise dramatically. The Washington State study described above found that many welfare recipients did not know about the program's incentives or did not understand them; the authors cited this lack of knowledge as one explanation for that program's high costs, increased caseloads, and failure to achieve employment gains.[28]

In contrast, perhaps the most important lesson from the SSP and CAP studies to date is that a clearly positive financial incentive that is well explained and understood will generate an increase in employment and earnings. SSP took extraordinary steps to ensure that every eligible person participated in a two-hour orientation describing the program, and staff repeatedly contacted potential participants over the next year to remind them about the supplement.[29]

Dramatic differences in results between counties in the CAP experiment underscore this point. Operating the same program, Monroe County—identified as an enthusiastic, persistent marketer of CAP's benefits—generated large impacts, while a less committed Suffolk County produced much less impressive results.[30]

Interactions with other programs. Financial incentives are often implemented along with other policies or services. For example:

- As noted earlier, Minnesota's MFIP includes new welfare-to-work mandates for long-term recipients and other changes in addition to its financial incentives. Similarly, Michigan's To Strengthen Michigan Families combined an earned income disregard with a new "Social Contract."
- A special study, SSP Plus, is testing whether the financial incentives in Canada's Self-Sufficiency Project work better when combined with other employment and social services.
- Connecticut, Florida, and other states have combined generous earned income disregards with time limits on AFDC receipt.
- New Hope, an experimental program in Milwaukee, combines incentives, job search assistance, paid community service jobs, and other features to promote full-time employment and to reduce poverty and dependency (see the box on page 86).

Financial incentives can be complementary or contradictory when implemented with these other policies. For example, expanded earned income disregards and other complementary policies may reinforce one another and create a potentially powerful synergy. In the Minnesota program, financial incentives and participation mandates appeared to reinforce each other: Staff adjusted quickly to their role of "selling" work and administering employment-focused welfare-to-work mandates—as opposed to focusing narrowly on determining eligibility and calculating benefit amounts—in part because they

The New Hope Project

The New Hope Project, located in two neighborhoods in Milwaukee, is designed to address some of the structural problems that contribute to poverty and welfare dependency: job shortages, insufficient work hours, low wages, lack of health insurance, and unaffordable child care. The program is based on the premises that employment is the solution to poverty and welfare dependency and that people will choose employment over welfare if they can earn a living wage. To this end, New Hope includes:

- **Job access.** New Hope provides job search assistance to people who are unemployed or who want to change jobs. If program participants are unable to find work in the regular job market, New Hope offers paid community service jobs at the minimum wage in nonprofit agencies.
- **Wage supplements.** New Hope offers monthly wage supplements to participants who work at least 30 hours per week but whose earnings leave their households below the poverty level. Combined with the Earned Income Tax Credit, New Hope's wage supplements raise participants' annual household income above the poverty line.
- **Health insurance.** New Hope offers a health insurance plan to program participants who work at least 30 hours per week and who are not covered by employer health insurance or Medicaid. Participants contribute toward the health insurance premium on a sliding scale that takes into account their income and household size.
- **Child care assistance.** New Hope offers financial assistance with child care expenses to program participants who work at least 30 hours per week and who have children under the age of 13. Participants pay a portion of the cost based on their income and household size.

New Hope is open to individuals and families who have household incomes at 150 percent of the poverty level or below. Eligible adults may enter the program employed or unemployed, on welfare or not on welfare. The program's wage supplements, health insurance, and child care assistance are calibrated so that there is an economic incentive for participants to work more hours and earn higher wages. A random assignment study is testing whether New Hope reduces poverty and whether it offers a better way to support able-bodied adults and families than do existing welfare programs.

believed that recipients who worked under the new rules would benefit financially.[31] As noted earlier, the MFIP evaluation is designed to determine whether the program's financial incentives produce larger impacts when combined with welfare-to-work mandates.

The interactions between time limits and earned income disregards are more complex. On the one hand, a disregard might assist welfare recipients in making the transition from welfare to work because it allows families who enter low-wage employment to retain a portion of their AFDC grants; the policy will also raise the incomes of some working families. In addition, from a state's perspective, a time limit on welfare receipt may restrain the cost of an expanded earned income disregard: People can benefit from the disregard only for as long as they are allowed to receive welfare. On the other hand, the policies may work at cross-purposes. When welfare eligibility is time-limited, recipients have an incentive to leave the rolls as soon as possible in order to save their months of eligibility for times when they may be more in need of public assistance. But more generous earned income disregards have the opposite effect: They hold people on welfare longer than they would otherwise stay. Thus, a person who combines work and welfare may "eat up" her months of welfare eligibility faster than she otherwise would.

To address this concern, some have suggested that programs combining these two policy changes might consider not counting toward the time limit those months in which a recipient is combining work and welfare. Several states adopted this approach in time-limit programs that were implemented under federal waivers.[32]

■ *What are the pros and cons of alternative strategies for making work pay?*

Early in this chapter, four basic approaches to making work pay were described: changes in welfare rules, alternative income support systems such as New York's CAP and Canada's Self-Sufficiency Project, broad-based strategies such as federal and state Earned Income Tax Credits (EITCs), and temporary, transitional benefits targeted to people leaving welfare for work. These policies are not mutually exclusive: For example, earned income disregards, state EITCs, and transitional benefits (such as health coverage and child care assistance) have been implemented simultaneously. But the various policies have different strengths and weaknesses as strategies for achieving particular goals.

The key differences among the four approaches relate mostly to targeting. Earned income disregards and transitional benefits are targeted narrowly to people receiving or leaving welfare; this limits their cost. (As noted earlier, SSP and CAP also have narrow eligibility criteria.) Targeting a program in this way, however, can create inequities between eligible families and other low-income working families who are not eligible for the benefits. This can produce unintended effects, such as more applications to the welfare system. Moreover, if raising family income is a key objective—in contrast to a more limited focus on increasing work among welfare recipients—a narrowly targeted program has the disadvantage of reaching fewer families.

In contrast, a program such as the EITC, which is targeted to all working families in a particular income range, avoids these problems: There are no comparable inequities between eligible and ineligible families, and many people benefit. But, depending on the benefit level, a broad-based program can cost considerably more than a narrower program. In addition, as noted earlier, earned income credits are not designed specifically to encourage work among welfare recipients. They may further this goal, but they are intended to serve broader functions such as making the tax system more equitable and boosting the incomes of working families. Finally, because the EITC provides benefits to a broad range of working families, it may induce some people to work less than they otherwise would.

Transitional benefits can be more generous and still cost less than a permanent program. But such temporary benefits end, with participants losing cash, health coverage, or child care assistance. One of the assumptions underlying transitional benefits is that earnings and job-related fringe benefits are likely to grow over time as workers get raises and promotions or move to better-paying jobs; if this does not happen, some recipients may return to welfare when their temporary benefits end.

Finally, different approaches tend to help different groups of people. For example, earned income disregards are usually most helpful to people working in low-wage, part-time jobs (see the box below). Even with a disregard in place, recipients working full time are unlikely to receive much welfare in most states. In contrast, the EITC pays higher benefits to families with higher earnings (up to a point), and thus provides more assistance to full-time workers. For example, as shown in Figure 5.1, a family with two or more children receives the maximum EITC benefit with earnings between $8,890 and $11,610 (corresponding to 35 hours a week of work at $4.88 to $6.38 an hour).

Differences in perceptions. The four approaches also "look" different. Programs such as the EITC, CAP, and SSP are likely to receive public support because they operate outside the traditional welfare system and reward work: The EITC and SSP are available only to working families, and CAP is financially worthwhile only for those who work.

Part-Time Work and Welfare Reform

While there is broad agreement that welfare recipients should contribute more to their own support, there is less consensus about what level of self-support should be expected. Some have argued that it is reasonable to expect single mothers to work part time, because that arrangement allows them to balance their roles as providers and nurturers.[1] Many two-parent families balance these roles by having one parent work full time and the other parent work part time or not at all, particularly when their children are young: In March 1995, only 38 percent of married mothers with preschool children worked full time; another 19 percent worked part time.[2] Others think it is reasonable to expect single mothers to work full time.

Expectations regarding part-time work will affect many aspects of a state's welfare reform strategy. For example, states that intend to impose work requirements need to decide whether their mandates will demand full-time or part-time work, or will have different expectations depending on the age of the family's youngest child. (Of course, states will need to weigh their choices in the context of the 1996 federal work requirements.) A policy such as a benefit-termination time limit, which removes access to welfare and does not provide an alternative source of income to supplement earnings, will implicitly demand full-time work in most cases.

Any reform strategy that seeks to support part-time work will need to address the fact that most low-income single mothers do not receive regular child support payments. Without a second stream of income from the other parent, many low-skilled single mothers will probably be unable to support their children solely on the earnings from a part-time job, particularly because such jobs are unlikely to provide health insurance. Although, as noted in Chapter 6, states are working to strengthen the child support enforcement system, progress will likely be gradual. Thus, single mothers working part time are likely to need additional income, either from a partial welfare grant or from some other source. Earned income disregards are one strategy for achieving this result. A disregard allows working parents to retain at least part of their welfare grant to supplement their earnings. Depending on how the disregard is structured, a parent working in a low-wage, part-time job might be allowed to retain all or most of her grant.

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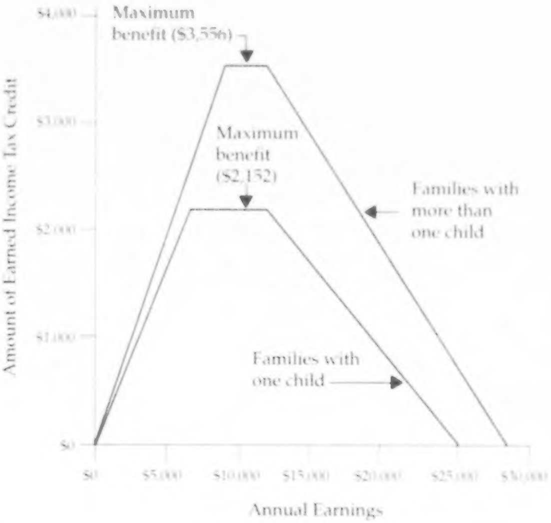
[1] See, for example, David T. Ellwood, *Poor Support: Poverty in the American Family* (New York: Basic Books, 1988), pp. 132–37.

[2] U.S. House of Representatives, Committee on Ways and Means, *1996 Green Book: Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means* (Washington, D.C.: U.S. Government Printing Office, 1996), Table 10–4 (p. 630).

Figure 5.1

The Earned Income Tax Credit (EITC) in 1996



SOURCE: Adapted from Iris J. Lav and Edward B. Lazere, *A Hand Up: How State Earned Income Credits Help Working Families Escape Poverty* (Washington, D.C.: Center for Budget and Policy Priorities, 1996), Figure 7 (p. 18).

As discussed earlier, to bolster the perception that they are not "welfare" programs, both SSP and CAP are administered through separate offices that are not connected to the welfare system (the EITC is, of course, administered through the tax system).

In contrast, welfare is a safety net program that helps nonworking families, and it has frequently been criticized for discouraging work. Thus, working families who are helped by earned income disregards are still part of an unpopular, heavily stigmatized welfare program. Raising earned income disregards, however, might help to change the public image of welfare; with disregards in place, a higher share of the welfare population would be working and using the program to supplement their earnings. If this occurs, recipients may feel better about themselves because they are providing for their own support, and the public may be more likely to categorize them as deserving of assistance. Thus, earned income disregards may be seen as an effective way to reduce the stigma associated with a safety net program.

■ *What are the biggest unanswered questions about policies for changing work incentives?*

Ongoing studies will provide evidence about how changes in earned income disregards affect employment patterns, welfare dependency, and costs—and how these policies interact with other welfare reform strategies, such as time limits and welfare-to-work mandates.

These studies will also provide information about the impacts of different disregard formulas. States face a balancing act in designing these formulas. On the one hand, very generous disregards will increase work incentives and family income more, but may also increase costs and caseloads more. On the other hand, a disregard that is too small would not provide much of a work incentive, and would not make working poor families appreciably better off.

More research is needed to understand the effects of make-work-pay strategies that operate outside the welfare system—policies such as the EITC and health and child care assistance for working poor families. These policies may affect employment rates, job retention, and the overall well-being of poor families.

Perhaps the most important unanswered question concerns the long-run result, from a cost/benefit perspective, of financial incentives' two effects: inducing more people to work and improving the financial well-being of those who would have worked anyway. The former reduces public transfer costs, while the latter increases costs. Both effects increase the income of poor families. It is critical to understand not just costs in the short and long run, but also the benefits that families and children derive over time from having more income.

Chapter 6

Time Limits

Time limits are among the most dramatic recent changes in welfare policy. They are also among the most popular: Between 1993 and mid-1996, more than 30 states received federal waivers to impose some form of time limit on AFDC receipt in at least some areas of the state.[1] The 1996 federal welfare law restricts all states from using federal funds to provide assistance to most families for more than five years, and allows states to set shorter time limits.

Time limits are intended to greatly reduce or eliminate long-term welfare receipt and to spur welfare recipients into employment. Proponents contend that these goals can be achieved without adversely affecting children because they believe that most welfare recipients, when faced with a firm deadline, will find jobs or take other steps that allow them to support their families without welfare.

The rapid emergence of time-limited welfare at the state and federal levels is striking because this policy is largely untested. Time limits have been imposed in various income support programs, but until recently they have not been applied to single-parent families, who constitute the vast majority of the AFDC caseload.[2] The first state-level tests of time-limited welfare are still too new to have yielded firm conclusions: The earliest programs did not start operating until 1994, and only a handful of people nationwide had reached a time limit as of fall 1996. (Early results from a Florida time-limit program—the Family Transition Program—are expected to be available in early 1997.[3])

In the absence of data on the impacts of time limits, this chapter addresses several questions about the potential effects of this policy and its implementation. It is important to note that the 1996 federal law does not require states to implement any particular type of time limit on welfare receipt, or even to impose one at all; rather, the law sets restrictions on the use of federal funds (see the box on page 92). These rules will obviously shape states' decisions, but, as in the past, states and localities are likely to craft their own policies based on a broader set of considerations.

This chapter addresses the following questions:

- What are the opportunities and risks of different approaches to time-limited welfare?
- How many people will reach time limits, and who will they be?
- What are the early lessons about operating time-limited welfare programs?
- What kinds of policies should be implemented along with time limits?
- What are the key unanswered questions about time-limited welfare?

The TANF Time Limit

The Personal Responsibility and Work Opportunity Reconciliation Act restricts states from using federal TANF block grant funds to assist most families for more than five years. Specifically, TANF funds cannot be used to provide assistance to a family that includes an adult who has "received assistance under any State program funded under this part attributable to funds provided by the Federal government" for 60 months after the state's TANF program begins. (The term "assistance" apparently includes both cash and noncash assistance, and the time limit apparently applies to any program that receives TANF funds.)

States can exempt families from the time limit for hardship, but the total number of exemptions in effect in any year cannot exceed 20 percent of the total number of families receiving assistance under the state's TANF program.

This provision makes time limits a central feature of federal welfare policy, but it also allows states considerable flexibility: They can set a five-year time limit, a shorter time limit, or no time limit at all, using state funds to assist people who have exceeded the federal time limit and the cap on exemptions.

■ *What are the opportunities and risks of different approaches to time-limited welfare?*

The term "time limit" means different things to different people. Most of the state policies that were developed under federal waivers can be grouped under two broad headings:

- **Work-trigger models.** Under this approach, parents who receive AFDC for more than a specific number of months are required to work; the government provides some type of work opportunity to people who cannot find work on their own.
- **Benefit-termination models.** In these models, the time limit signals the point at which cash benefits are terminated. Although there may be work requirements for recipients prior to the time limit—and they may receive help finding jobs—the government does not provide jobs for recipients after the time limit.

Some hybrid models include elements of both approaches. For example, some approaches would impose work requirements at a certain point—say, 24 months—but also time-limit the provision of post-time-limit subsidized work opportunities. Some states have designed models in which recipients' grants would be reduced, but not terminated, at the time limit.[4] The 1996 federal law requires states to outline a plan for requiring recipients to work after 24 months on the rolls and, as noted earlier, restricts states from using federal funds to assist most families for more than five years.[5]

These various approaches are similar in some respects. All seek to limit the amount of time adults can receive cash benefits without working—a major change from the traditional AFDC program, which included no such restrictions for single-parent families. But the two main approaches suggest different opportunities and risks relative to the core reform goals discussed in Chapter 1.

The work-trigger model is essentially a version of the mandatory work approach discussed in Chapter 4. If such a time limit were applied as planned, it would certainly reduce dependency (defined as welfare without work). Moreover, if the model stimulated many people to find unsubsidized jobs, it might improve their well-being and reduce welfare spending. At the same time, by providing a source of income after the time limit, the model would maintain a safety net, at least for those able to work steadily. The key challenges relate to the cost and feasibility of the post-time-limit work program, particularly given the experience with large-scale workfare discussed in Chapter 4.

The benefit-termination model will even more clearly reduce dependency if families' grants are indeed terminated when they reach the limit. However, in an effort to stimulate a dramatic behavioral change, this model incurs a risk by scaling back the government's side of the mutual obligation "bargain": If many recipients do not find steady jobs or other sources of support, family incomes may drop sharply. The model's costs are difficult to predict. Spending on cash assistance would almost certainly decline, but costs might rise in other areas if many recipients reach the time limit, lose their benefits, and do not find other ways to support their families.

In either case, it seems clear that the ultimate success of time-limited welfare will hinge on how many people reach the time limit (that is, exhaust their allotted months of welfare receipt). If the number is large, either approach would likely have more difficulty succeeding. Under the work-trigger approach, a large number of people reaching the time limit would translate into a large work program that might be costly and difficult to administer. Under the benefit-termination approach, the risks for children would presumably rise if more recipients reached the limit and lost benefits. These parents might find jobs or devise other strategies to support their children without welfare, at least temporarily. The risk is that these strategies would break down over time—a likely scenario, given the low job-retention rates among this population. Some have argued, however, that rates of retention and rapid reemployment will increase with time limits in place—that people will try harder to keep their jobs or to find new jobs quickly if they cannot return to welfare. (See the box on page 94 for a general discussion of issues related to job retention and welfare reform.)

■ *How many people will reach time limits, and who will they be?*

As just discussed, the success of time-limited welfare is likely to depend in large part on how many welfare recipients use up their allotted months and reach the time limit. No one knows the answer to this critical question. Evaluations of time-limited welfare programs are under way in several locations, but these programs have not been in place long enough for any firm conclusions to be reached.

At this point, the most relevant information comes from studies of welfare use patterns in the absence of time limits. One study used data on current welfare receipt patterns to estimate that nearly 2 million families will reach the federal five-year limit by 2005.[6] Other useful data come from the evaluation of the Riverside County, California, Greater Avenues for Independence (GAIN) mandatory welfare-to-work program (discussed in Chapter 3). This study found that 44 percent of those who were required to participate in GAIN received AFDC for more than two years over the three-year period after entering the program; the figure rose to 48 percent over four years.[7] These figures are conservative because, during the study period, GAIN did not target welfare recipients with preschool children and those who were chronically ill or disabled; these excluded groups probably had longer stays on welfare than those who were studied.

These data suggest that time-limit programs will face a major challenge. Even with an effective welfare-to-work program in place, nearly half of the AFDC recipients who were subject to GAIN in Riverside would have reached a two-year time limit within four years, had there been one. This suggests that time limits will need to generate dramatic behavioral changes—on top of the motivation provided by tough welfare-to-work mandates—to prevent large numbers of people from reaching the "cliff." Proponents predict that many people will be motivated to leave welfare on their own before using up their months. In fact, some believe that this is already happening in some states where time limits have been announced and AFDC caseloads have subsequently dropped.[8] Unfortunately, it is impossible to tell to what extent these states' time-limit policies—

The Challenge Is Not Only Getting Jobs, but Keeping Jobs

Welfare recipients who go to work often have difficulty holding on to their jobs. Studies indicate that one-third to one-half of those who leave AFDC because of employment lose their jobs within one year; many of them return to welfare. Rates of job loss are even higher among certain groups of particularly disadvantaged recipients.[1]

This suggests that welfare reform efforts may need to focus as much attention on helping people keep jobs—or find new ones quickly if they lose jobs—as on getting them jobs initially. Two recent policy trends—the rapid emergence of time limits and the shift toward welfare-to-work models stressing quick employment—magnify the importance of this issue. Quick-employment strategies are likely to move many recipients into unstable, low-wage jobs that leave them financially vulnerable. Time limits, by reducing people's ability to fall back on welfare after losing a job, increase the importance of staying employed.

One way to address job retention is to bolster the incomes of parents working in low-wage jobs by supplementing their wages or by providing assistance with child care or health insurance. These steps may make it easier for families to survive on low-wage jobs. A range of make-work-pay strategies was discussed in Chapter 5.

A second strategy is to provide ongoing counseling and support to welfare recipients after they go to work. Research conducted by Project Match, an innovative welfare-to-work program for long-term recipients in Chicago, found that participants often lose jobs because they have difficulty adjusting to the "culture" of the workplace or because they lack supports to deal with situational problems such as disruptions in child care arrangements.[2]

An ongoing four-site study is testing the impacts of post-employment services consisting of extended case management and some financial supports for newly employed AFDC recipients. The services are designed to bolster job retention and help participants find new employment quickly if they lose jobs.[3]

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1. Alan M. Hershey and Stuart Kerachsky, "Leaving Welfare for Work: Lessons on Helping AFDC Recipients Keep Jobs," paper prepared for the 35th Annual Workshop of the National Association of Welfare Research and Statistics (Princeton, N.J.: Mathematica Policy Research, Inc., 1995).

2. Lynn Olson, Linnea Berg, and Aimee Conrad, *High Job Turnover Among the Urban Poor: The Project Match Experience* (Evanston, Ill.: Center for Urban Affairs and Policy Research, Northwestern University, 1990), pp. 15–42.

3. For further information, see Joshua Haimson, Alan Hershey, and Anu Rangarajan, *Providing Services to Promote Job Retention* (Princeton, N.J.: Mathematica Policy Research, Inc., 1995).

versus other factors, such as rapid economic growth or other elements of their welfare reform initiatives—have affected the size of their welfare caseloads; nor is it known how long the families who have left welfare will stay off. (Random assignment studies of several state time-limit programs will provide vital evidence on this question in 1997 and 1998.)

In addition, the real-life results will depend in part on the design of the time limit. Fewer people are likely to reach the federal five-year time limit than the two- or three-year limits being tested in some states, although it is unclear how large the difference would be.

Similarly, results may vary depending on whether the time limit is a "lifetime limit." Under waivers, some states allowed welfare recipients a certain number of months of receipt during their lifetime; the federal time limit is also designed in this way. Other states developed policies that allow the time-limit clock to be "reset." For example, one model allows 24 months of receipt in any 60-month period.[9] This distinction might be important for certain recipients, such as those who cycle back and forth between welfare and low-wage jobs. For example, if someone received AFDC for a total of two years during a six-year period, she would reach a 24-month "lifetime" limit, but might not exhaust her allotted time under a policy that allowed 24 months in a 60-month period.

Finally, both state and federal time-limit policies include provisions for exemptions, which can stop the time-limit clock in certain circumstances, or extensions, which provide extra months of eligibility to people who have reached the time limit. Some state policies allow recipients to earn "credit" for time spent working or off welfare.[10] These policies, too, will influence how many people ultimately reach the limits.

The data discussed in Chapter 2 provide some insight into which kinds of recipients may be most likely to reach time limits. Those data show that long-term recipients are more likely to have low levels of education and work experience, to be black or Hispanic, to have entered welfare when they were below the age of 25, and to have been unmarried when they started receiving assistance. Of course, it is possible that the existence of a time limit would change this picture in unpredicted ways; for example, certain groups of recipients may react differently from others when faced with such a deadline.

■ *What are the early lessons about operating time-limited welfare programs?*

While the long-term implications of time limits are an open question, research on the early implementation of some of the first time-limit programs—in Florida, Vermont, and Wisconsin—has identified a number of early lessons on the design and operation of these programs.[11] These can be summarized as follows:

- **Raising the stakes.** Given the importance of minimizing the number of people who reach the limit, time limits put added pressure on administrators to design and implement effective policies to help welfare recipients prepare for, find, and keep jobs. Thus, it is not surprising that many of the states that implemented time limits early embedded them in a broader set of work-focused services, mandates, and incentives, many of which require a substantial upfront investment of resources. Moreover, many staff in those locations have reported that time limits put added pressure on them to ensure that participants remain on track as they prepare for work.

- **Balancing flexibility and firmness.** The strength of time-limited welfare, and its potential ability to change behavior, lies in its uniformity and consistency of application. At the same time, state officials understand that not all recipients can be expected to achieve self-sufficiency before reaching the limit. Thus, they have sought to build flexibility into their policies—for example, policies for extensions or exemptions—without creating the perception of loopholes that would weaken the ability of the limits to change behavior. At the outset, staff tend to downplay the exceptions in order to maintain high levels of motivation, but this strategy is viable only in the early years of implementation. Ultimately, some families will reach the time limits, and states will face a difficult choice between actually granting extensions—thereby weakening the program's image—and cutting families off welfare.

- **Managing discretion.** Some states have developed loosely defined criteria for granting extensions to the time limit. For example, some may offer extensions to people who have been "diligent" in seeking work or who are unable to find work "through no fault of their own." There are obvious advantages to these kinds of policies. For example, it is difficult to craft specific rules that will apply in all cases. Moreover, if policies are somewhat ambiguous, recipients will never know for certain whether they will receive an extension, and may be more likely to remain highly motivated. At the same time, these policies are likely to introduce more discretion into decisions about welfare eligibility in an environment where these decisions have more lasting and serious implications than in the recent past. In other words, someone will have to decide, in each specific case, whether the criteria apply or whether a family will have its welfare grant canceled. In the late 1960s and early 1970s, federal courts, motivated in part by concerns about racial discrimination, dramatically restricted state and local discretion in imposing welfare eligibility requirements.[12] This experience suggests that it may be challenging to implement such policies consistently and equitably.

- **Communicating.** State officials interviewed for the study see time limits as a way to change recipients' behavior, not as a means to remove families from welfare. If the behavioral changes are to occur, the new policies will have to be clearly and consistently communicated in the day-to-day interactions between welfare recipients and staff. Many factors make this communication difficult. For example, staff reported that many welfare recipients initially did not believe that time limits would really be implemented and, even if they did, saw the limits as too far off to affect them in the short term. In addition, programs will need to decide what the message should be: Should staff urge recipients to get off welfare quickly in order to "bank" their allotted months, or should they push recipients to use the opportunity to obtain education or training?

  In light of these communication challenges, states imposing time limits need to decide on a clear message and invest in staffing, staff training, and management oversight to ensure that the message is clearly communicated to recipients. Moreover, states must develop management information systems that allow staff to track the time limit and remind clients of their status; this can be a formidable task because most states' welfare computer systems are not equipped to track a time-limit clock.

- **Restructuring welfare-to-work programs.** The states have added resources to their welfare-to-work programs and extended participation mandates to a broader share of the caseload. In addition to the challenges inherent in expanding these programs, the states have been pushed to redesign some of their elements. For example, in both Florida and Wisconsin, local staff have worked with employers and education agencies to develop new kinds of shorter education and training services that fit within the tighter time frame.

■ *What kinds of policies should be implemented along with time limits?*

Certain types of policies assume greater importance in the context of a time limit. For example, the presence of a time limit—particularly a benefit-termination model—magnifies the importance of policies that can help single mothers sustain themselves in low-wage jobs (or find new employment quickly if they lose their jobs) so that families do not return to welfare and continue using up their months of eligibility. In addition to the make-work-pay strategies discussed in Chapter 5, child support enforcement is likely to play a critical role for many families. Single mothers who cannot fall back on welfare may need steady income from the second parent to support their children. Yet, today, most such mothers receive little or no support from their children's noncustodial fathers. (See the box on page 98 for a discussion of child support and welfare reform.)

As noted earlier, some states have embedded time limits in a broader set of mandates, services, and incentives designed to help recipients prepare for, find, and keep jobs. These policies—often including expanded welfare-to-work programs, earned income disregards, extended transitional benefits, and other measures—are vital, given the need to reduce the number of people who reach the time limit. But it is not always clear which work-focused policies work best in this environment. Unfortunately, the research provides only limited guidance: The policies discussed in Chapters 3 to 5 have only recently been implemented along with time limits, and they might produce different results in that context. Moreover, it is not clear whether the policies that make sense without a time limit also make sense with it. Here are three examples of the potentially complex interactions between time limits and other policies:

- **Earned income disregards and time limits.** Many states have increased earned income disregards (see Chapter 5) while imposing time limits. The expanded disregards might complement the time limits by promoting work, increasing family income, and helping recipients make a smooth transition into the workforce. Moreover, the time limits may help to control the costs of expanded disregards. But at the same time, this approach is likely to increase the number of months people receive welfare, making it more likely they will reach the time limit. (The results from Florida's Family Transition Program, mentioned earlier, will provide early information on this issue.) Enhanced disregards usually imply that mixing work and welfare is a positive outcome, but this may not be true (at least not for extended

The Other Half of the Equation: Noncustodial Parents and Welfare Reform

The rapid emergence of welfare time limits and the shift to quick-employment welfare-to-work models both magnify the importance of child support as an additional source of income for single mothers working in low-wage jobs. A second source of steady income might allow more of these families to make ends meet without welfare. And yet, according to the most recent Census data, only about one out of four poor custodial mothers receives child support payments; the figure is even lower—about one in seven—for poor, never-married custodial mothers.[1]

Both the federal government and the states have taken steps in recent years to improve paternity establishment for children born out of wedlock and to strengthen the system for establishing and enforcing child support orders. The 1996 federal welfare legislation includes additional measures. These efforts are critical. Time limits and other welfare changes may induce single mothers to cooperate more readily with child support enforcement agencies by providing up-to-date information on noncustodial parents' whereabouts. But these efforts will have little practical effect unless the child support enforcement system can quickly locate absent parents (usually fathers) and collect what is owed.

A few states are experimenting with work-focused programs targeted to unemployed noncustodial parents. These programs grew out of a recognition that some noncustodial parents experience the same employment problems as custodial parents on welfare. The programs are designed to increase the earnings of noncustodial parents so that they are better able to meet their child support obligations. One special project, the Parents' Fair Share (PFS) Demonstration, is testing such programs in seven states.[2]

In PFS programs, noncustodial parents who say they are unemployed and unable to pay the child support they owe are ordered by the courts to participate in employment-related activities. The services can provide help to those who need them, and the mandate to participate can help identify those parents who have unreported income.

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[1] U.S. Bureau of the Census, *Statistical Abstract of the United States, 1995* (Washington, D.C.: U.S. Department of Commerce, 1995), Table 617 (p. 391).

[2] For information about Parents' Fair Share, see Dan Bloom and Kay Sherwood, *Matching Opportunities to Obligations: Lessons for Child Support Reform from the Parents' Fair Share Pilot Phase* (New York: MDRC, 1994); and Earl S. Johnson and Fred Doolittle, *Low-Income Parents and the Parents' Fair Share Demonstration*, an early qualitative study from the demonstration (New York: MDRC, 1996).

periods) under a time limit. Some have suggested that programs including both of these policy changes would send a more consistent signal either by stopping the time-limit clock during months when a recipient is working and receiving welfare or by offering working families incentives outside the welfare system (as discussed in Chapter 5).

- **Welfare-to-work strategies.** It is not clear which welfare-to-work strategies make the most sense in the context of a time limit. Some have argued that a rapid-employment focus is best because it helps recipients find jobs and leave welfare relatively quickly and thus to "bank" their months of welfare eligibility. Others contend that recipients should use their scarce months to build their skills through education or training, thus preparing themselves for jobs that will make them less likely to return to welfare.

- **Time limits and mandatory work.** Some states have imposed workfare-type mandates on recipients during the pre-time-limit period. The 1996 federal welfare law essentially advocates this approach. However, in the past, workfare has been intended primarily to enforce a mutual obligation between government and recipients, rather than to help people obtain unsubsidized jobs. Indeed, the studies cited in Chapter 4 indicate that few workfare programs have demonstrated the ability to increase employment or reduce welfare receipt (although larger-scale programs with more demanding participation requirements may produce different results).

■ *What are the key unanswered questions about time-limited welfare?*

At this point, almost none of the key questions about the feasibility and impacts of time-limited welfare have been answered. These questions might be grouped into four categories:

- **How will time limits affect patterns of work and welfare receipt?** As noted earlier, the success of this policy will likely depend on how many people are able to find jobs and leave welfare before reaching the time limit—and then stay off welfare. Thus, it will be important to assess whether time limits dramatically accelerate employment and welfare exits so that few recipients exhaust their benefits.
- **How are time limits implemented?** The questions here will vary according to the model, but they include: How do states make the decisions necessary to implement exemption and extension policies? Are states with work-trigger models able to create the necessary public jobs? Which work-focused policies are most effective in the context of time limits?
- **What happens to families whose benefits are terminated?** Do the parents respond by finding jobs? Do they retain the jobs over time? What is the impact on children's well-being? Is there an increase in marriage, or are there other changes in family structure?[13] In answering these questions, it will be important to track the progress of these families for an extended period. Data suggest that most AFDC recipients are able to work, but that many have difficulty working steadily (see Chapter 2). Thus, the question will be whether initial responses to the termination of benefits can be sustained over time without the presence of the welfare safety net.
- **How do results vary for subgroups?** It seems likely that the story of time-limited welfare will not be told in the "average" impacts. The averages may mask large differences between recipients who respond positively and improve their situations, and those who are unable or unwilling to respond and end up much worse off. If this pattern emerges, it will be crucial to understand whether the policy affects particular, identifiable groups differently.

Over the next few years, evaluations currently under way in Connecticut, Florida, Vermont, and elsewhere will provide vital evidence on these issues. However, for the most part, these early tests are not occurring in large cities, where the challenges to time-limited welfare may be greatest. If this policy is extended to urban areas, it will be important to understand its impacts not only on recipients and their families but also on economic and social conditions in neighborhoods with large concentrations of welfare recipients.

Part III

Conclusions

Chapter 7

Summing Up

Enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 has presented states and localities with an unusual opportunity to reshape a welfare system that has been broadly unpopular. For many years, state and local officials argued that federal rules hindered them from reforming welfare. Although the 1996 law includes a set of mandates and restrictions on federal funding, the block grant structure it creates is intended to give states much greater flexibility. The federal rules will help set the fiscal context, but they leave states considerable room to chart their own courses.

With this dramatic opportunity come both challenges and risks. Welfare reform is neither straightforward to design nor easy to implement, and major changes in public policies usually generate unintended consequences. In this case, the stakes are especially high for both affected families and taxpayers.

This chapter discusses how the research evidence presented in this book can assist states and localities in designing welfare policies in the years to come. It focuses on how the research can be used to make the most of the new opportunities, minimize the risks, and anticipate the likely implementation challenges.

A Summary: Goals and Trade-offs

Each of the strategies discussed in this book suggests different trade-offs among the core goals of welfare reform identified in Chapter 1—reducing long-term dependency, supporting children, and controlling costs:

- Some welfare-to-work program models—those with a stronger focus on rapid employment—can reduce welfare receipt and save money for taxpayers while leaving participants' incomes largely unchanged. Other models—notably, those that emphasize occupational training—are more likely to boost participants' incomes, but less likely to save money or reduce welfare. A middle ground—programs that provide a mix of services but also maintain a strong focus on employment—can combine some of the benefits of the other two approaches. The impacts of welfare-to-work programs alone, however, are usually modest: Many families remain on welfare and in poverty. But impacts may be very different for programs implemented in the context of time limits.

- Requiring welfare recipients to work in exchange for assistance is strongly supported by the general public and by many recipients. In addition, this approach can produce valuable goods and services for communities while maintaining a safety net for poor families. There is little evidence, however, that mandatory work leads to unsubsidized jobs or budget savings, and the costs and feasibility of large-scale work mandates are open questions. Finally, newer work models that pay participants only for the hours they work present both opportunities and risks: These work activities look more like real jobs than work-for-benefits models do, but they may be a less effective component of the safety net for children.

- Make-work-pay policies can boost the incomes of low-wage working families and, if incentives are offered in the form of earned income disregards, increase the share of the welfare population that is working. The implications for government budgets depend in part on whether the policies persuade people to work more than they otherwise would have. Well-implemented and somewhat more generous models have done this—thereby reducing dependency—but some others have not. Public costs are also affected by targeting strategies: When income supplements are delivered outside the welfare system and target a broad range of low-income working families, they are likely to raise spending; but they will also assist more families than will narrowly targeted models.
- Time limits will clearly reduce dependency and welfare spending if there are no post-time-limit subsidized work opportunities for those who cannot find jobs on their own. But both the feasibility of this approach and its impacts on children and on public spending in other areas are uncertain, because no studies have been completed. If time limits are followed by last-resort public or subsidized jobs, the risks for families may be lower but public costs may be higher.

In sum, while the full story is not yet in, the research evidence strongly suggests that no single approach or combination of approaches is likely to generate *dramatic* progress toward all three of the core goals of welfare reform simultaneously. At one end of the spectrum, policies that promise to substantially raise incomes are likely to generate higher costs. At the other end, policies that can sharply reduce dependency and welfare spending hold substantial risks for children. In the middle of the spectrum, mutual-obligation approaches such as welfare-to-work programs and mandatory work have shown some ability to balance different goals, but neither approach has generated dramatic impacts.

The First Step: Clarifying Goals

A consistent theme runs through the previous four chapters: In applying research to welfare reform policy choices, it is necessary to have clear goals. Different strategies produce different results, but no one set of results is uniformly better than the others. Which choice is "best" depends on what one is trying to achieve.

While the broad goals of welfare reform may be similar in most places, the specific definitions, assumptions, and priorities are likely to differ. The five questions below may be useful in clarifying goals. They are not the only important issues, but they illustrate how the research can provide guidance once goals are defined.

Which is more important—increasing the number of people who leave welfare or ensuring that people on welfare work? These objectives sound quite similar, but the research suggests that different strategies are likely to further each of them. A broad workfare mandate, if it could be implemented successfully, would ensure that welfare recipients "give something back" in exchange for their benefits, and could produce valuable services for communities.

But the available research indicates that workfare, as it has been run so far, is not the most effective strategy for moving recipients into unsubsidized jobs. Welfare-to-work programs that emphasize a mix of job search assistance, training, and education seem better suited to achieving this goal, and also appear to be easier to implement on a large scale. Requiring recipients to participate in such activities could be seen as enforcing a quid pro quo, although the current trend (reflected in the 1996 federal law) is to narrow the definition of participation to emphasize work rather than work-related activities.

Of course, a time limit is the most direct way to reduce welfare receipt; it would likely increase employment as well. The difference between a strategy based on time limits and one based on work-focused mandates with sanctions for those who do not "play by the rules" hinges in part on assumptions about welfare recipients' capacity to support their families over time. A benefit-termination time limit implicitly assumes that lack of motivation is the key barrier to self-support (or that, in any case, people should not be allowed to receive welfare for more than a fixed period of time). A mandatory work approach assumes that long-term public assistance—conditioned on work—may be necessary in some cases. The difference between these approaches may be more or less stark, depending on the policies for granting extensions to the time limit and on the nature of sanctions for noncompliant recipients under the mandatory work approach.

How broad is the definition of dependency? Reducing dependency is a central goal of most current welfare reforms. But dependency can be defined in several ways. Is a recipient who is working off her benefits in a community work experience slot dependent? What if the slot is a public or subsidized job in which pay is based on hours worked? Is a recipient dependent if most of her income is from work but she also receives a partial welfare check to supplement her earnings? What if the supplement comes through a program that operates outside the welfare system?

The definition of dependency has important implications for the content of reform strategies. The data on labor market trends and the characteristics of welfare recipients described in Chapter 2 and the welfare-to-work program results described in Chapter 3 strongly suggest that some welfare recipients will have difficulty steadily supporting their families solely through work. If virtually all forms of public assistance—including assistance provided to working families—are viewed as dependency and thus are discouraged, it will be difficult to reduce dependency dramatically without substantially increasing the risks for children.

How important is raising family income? Some states might decide that reducing poverty is a central goal of reform. One way to further this goal is to raise welfare grant levels. But recent history suggests that this strategy will not appeal to many states because it would increase dependency.

Any strategy that seeks to reduce dependency *and* increase family income will need to address the fact that many welfare recipients can obtain only low-wage jobs that do not provide health insurance and other benefits. As discussed in Chapter 3, many welfare-to-work programs have succeeded in raising earnings, but few have made participants significantly better off financially. There are ways to address this issue, such as training people for higher-wage jobs or supplementing the earnings of low-wage working families through earned income disregards and the other strategies discussed in Chapter 5. But these approaches reduce the likelihood of budget savings.

What are the goals for children? No state would intentionally harm children, but states see their roles differently. As just discussed, some states may define their goal as that of making poor children better off financially while ensuring that a greater share of their family's income comes from work. In other cases, the objective may be to reduce dependency and public spending without making poor families *worse* off. Finally, some states might conclude that children are better off when their parents are off welfare, even if their family's income may be substantially lower. (See the box on page 107 for a discussion of some of welfare reform's implications for children.)

Several of the welfare-to-work models discussed in this book have demonstrated an ability to reduce dependency and save money while keeping family incomes roughly constant. But, by definition, these policies leave many children poor. As noted earlier, reducing poverty will likely require strategies to supplement the incomes of working families.

If, however, the goal is primarily to reduce the number of children receiving welfare—on the assumption that welfare receipt is damaging to children—a state might choose to sharply reduce support for nonworking families via time limits or other strategies, perhaps shifting the resources to provide child care, health insurance, and other assistance for working families. There are risks associated with this approach, however; if it turns out that many parents are unable to find jobs or to work steadily, this strategy may be unsustainable.

What are the budget objectives? In the current political climate, few states are likely to choose policies that require dramatic increases in spending on social welfare programs. But some states may seek short-term savings, while others may be willing to invest now in the expectation of saving later. (The federal funding "windfall" that many states will receive in the early years of the TANF block grant may make the latter choice more feasible.) Still others may be willing to spend somewhat more overall if a greater share of expenditures go to policies that reward work.

The results described in this book suggest that some initial investment is likely to be necessary in order to generate budget savings without reducing children's family income. The reason is simple: It is cheaper to pay cash benefits and keep a tight rein on eligibility—in effect, letting the considerable stigma of welfare keep caseloads under control—than to prepare people for self-sufficiency.

Welfare-to-work programs that emphasize rapid employment have been shown to generate budget savings while keeping family income largely unchanged. Strict benefit-termination time limits are likely to produce larger short-term welfare savings, but they may reduce children's family income, and raise spending in unforeseen ways. Mandatory work and make-work-pay policies are less likely to reduce public outlays, but some states might decide that higher spending is acceptable if the money goes to policies of this type that reward or require work.

Finally, in considering the budgetary impacts of a reform strategy, it is critical to use a broad accounting framework, in both years and budget categories. Strategies that reduce welfare costs without preparing recipients for self-sufficiency may lead to higher costs in other areas such as nutrition assistance, child welfare, foster care, and services for the homeless. Some of these increased costs may not directly affect the state budget. For example, the Food Stamp program is funded by the federal government, and home-

Welfare Reform and Children

Children constitute roughly two-thirds of welfare recipients. Reform policies may affect these children's well-being in several ways. For example:

- **Family income may change.** Many studies have shown that family income is correlated with children's well-being; for example, children raised in poor families tend to be less healthy, to have more behavior problems, and to do worse in school than other children. Although it is difficult to determine the extent to which these problems are driven by income per se (as opposed to other factors that are correlated with income), a number of studies have found that income is a critical factor.[1] Some welfare reform policies—such as the make-work-pay strategies discussed in Chapter 5—may raise some families' incomes, whereas policies that reduce or end benefits to parents who do not have jobs or other sources of support are likely to reduce some families' incomes. Some policies are likely to affect families differentially.
- **Employment patterns may change.** Higher rates of employment among parents may affect children directly, apart from any changes driven by income. On the positive side, working parents may provide better role models.[2] On the negative side, single parents who work more may experience higher levels of stress trying to balance the roles of provider and nurturer. Higher stress may lead to poorer parenting, which may reduce the well-being of children.[3]
- **Children may spend more time in child care.** If parents are working more, children are likely to spend more time in child care. This may have positive or negative impacts on their well-being, depending on the quality of the care.[4] Higher levels of parental employment may also increase the time children are unsupervised.
- **Levels of welfare receipt may change.** Some studies suggest that welfare receipt is associated with worse outcomes for children, even after controlling for poverty and other factors.[5] Thus, reducing welfare receipt may improve some child outcomes. However, the impact of welfare receipt per se does not seem to be large; children will likely be affected more by changes in income, child care, and work.

Until recently, most evaluations of welfare reform policies did not gather specific data on how children were affected.[6] Thus, relatively little is known with certainty. However, one point is clear: If welfare reforms affect children's well-being in significant ways, the impacts—both positive and negative—will not be fully felt until many years later. Ultimately, the financial and social costs or benefits of these impacts on children may dwarf the short-term costs and benefits of the reforms.

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1. Gregory J. Duncan and Jeanne Brooks-Gunn, eds., *The Consequences of Growing Up Poor* (New York: Russell Sage Foundation, in press); Gregory J. Duncan, Jeanne Brooks-Gunn, and P. K. Klebanov,"Economic Deprivation and Early Childhood Development," *Child Development*, Vol. 65, No. 2 (1994): 296–318.

2. See, for example, William Julius Wilson, *When Work Disappears: The World of the New Urban Poor* (New York: Alfred A. Knopf, 1996), pp. 106–07.

3. Adele Eskeles Gottfried and Allen W. Gottfried, "Maternal Employment and Children's Development: An Integration of Longitudinal Findings with Implications for Social Policy," in Allen W. Gottfried and Adele Eskeles Gottfried, eds., *Maternal Employment and Children's Development: Longitudinal Research* (New York: Plenum, 1988), pp. 264–87; Nazli Baydar and Jeanne Brooks-Gunn, "Effects of Maternal Employment and Child Care Arrangements in Infancy on Preschoolers' Cognitive and Behavioral Outcomes: Evidence from Children of the NLSY," *Developmental Psychology*, Vol. 27, No. 6 (1991): 932–45.

4. Cheryl D. Hayes, John L. Palmer, and Martha J. Zaslow, eds., *Who Cares for America's Children? Child Care Policy for the 1990s* (Washington, D.C.: National Academy Press, 1990).

5. See, for example, Anne Driscoll and Kristin Moore, "Deprivation and Dependency: The Relationship of Poverty and Welfare to Child Outcomes" (Washington, D.C.: Child Trends, 1996).

6. Such data have been gathered as part of several experimental "two-generation programs," most of which were not targeted specifically at AFDC recipients. A review of the results found small or no effects on children's development. See Robert St. Pierre, Jean Layzer, and Helen Barnes, *Regenerating Two-Generation Programs* (Cambridge, Mass.: Abt Associates Inc., 1996), pp. 17–18.

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less services may be financed by municipalities. A full social accounting would need to include such costs.

The Key Challenges

As discussed earlier, many states are seeking to move beyond the incremental changes and modest impacts generated by past reforms. They want to implement reforms that target all or most welfare recipients and produce dramatic reductions in welfare receipt, without harming children or raising public costs.

The research does not point to models that can achieve all of these objectives. That does not mean the goals are unattainable; it simply means they have not been attained so far. If today's reformers hope to go beyond their predecessors, they will probably have to overcome a number of challenges:

Implementing high-quality welfare-to-work programs. Welfare-to-work programs will be central to virtually any welfare reform strategy. If there is a time limit, effective welfare-to-work programs will be needed to reduce the number of people who reach the "cliff" without getting jobs. If earned income disregards are implemented, welfare-to-work programs will help raise employment rates and earnings and keep costs down. As discussed in Chapter 5, if financial incentives benefit only people who would have worked anyway, costs will rise substantially.

Studies have demonstrated that welfare-to-work programs can make a significant difference. Coupling these programs with other policies, such as time limits or financial incentives, may create a synergy that boosts the impacts still further. Most existing welfare-to-work programs, however, are probably not up to the standards set by the best programs. Thus, as a first step, states will need to learn about the characteristics of effective welfare-to-work programs and seek to replicate these features.[1]

Getting to scale. Even the most effective welfare-to-work programs and work mandates have covered only a fraction of the welfare caseload; large numbers of recipients have been exempt from these requirements. A recent study of strongly mandatory JOBS programs in Riverside County, California, and Atlanta found that three-quarters of welfare recipients were exempt from JOBS mandates in a typical month, most commonly because they had a child under the age of three.[2] In many areas of the country, broad-coverage mandatory programs have never been seriously implemented.

Expanding mandates and services to a much broader share of the caseload will involve daunting administrative challenges. The research suggests that if states and localities try to do this on the cheap—expanding mandates on paper but having no staff or services to back them up—results will suffer.

In addition, broadly enforced mandates are likely to uncover recipients with serious barriers to employment who have been largely ignored in the past. States will need to develop strategies for dealing with these individuals. The experiences of Utah and other states that have addressed this challenge (described in Chapter 3) and the research on the Supported Work Demonstration (described in Chapter 4) are likely to be instructive.

Making low-wage work feasible. The imposition of time limits changes the context in critical ways. In the past, the key goal was to move welfare recipients into jobs. Job retention and welfare recidivism were seen as important, but not central. A program could succeed in increasing work, reducing welfare, and saving money, even if it did nothing to reduce the rate at which people returned to welfare. But this is no longer true. Families that cycle on and off welfare will eventually use up all of their allotted months and reach the time limit; after that point, there may be no welfare to cushion them if a job is lost.

Although it may be possible to boost some people into higher-wage jobs via training, it is reasonable to expect that many, perhaps most, welfare recipients who go to work will obtain low-wage jobs. The increased minimum wage and Earned Income Tax Credit will raise the incomes of many low-wage workers. But more efforts—such as child care and health insurance subsidies, other financial incentives, and post-placement counseling and assistance—will likely be needed to boost retention and hasten reemployment when jobs are lost.

Making reforms work in big cities. There have been few examples of successful work-focused welfare reforms in large cities. Welfare agencies in these areas tend to be unwieldy and resistant to change. Recipients may face more serious barriers to employment. A recent study looked at all cases receiving AFDC in Wisconsin in January 1990 and tracked them for the 48 subsequent months. In Milwaukee, by far the largest city in the state, 45 percent of the recipients never left welfare during the four-year period; the figure was 19 percent in the rest of the state. Similarly, the number of 1993 recipients with at least 12 years of education was 45 percent in Milwaukee and 64 percent in the rest of the state.[3]

Finally, as discussed in Chapter 2, local labor markets are likely to have difficulty absorbing a large influx of low-skilled workers. In addition, neighborhoods with high concentrations of welfare recipients may be dramatically affected, either positively or negatively, by major welfare changes. In short, welfare reform is likely to meet its biggest test in the biggest cities.[4]

Common Pitfalls

Welfare reform returns to the top of federal and state policy agendas every few years. And yet, despite the heralded initiatives and policy changes, the public remains dissatisfied, and welfare recipients and their families remain impoverished.

Fortunately, today's reformers can learn from the mistakes of the past. A review of past experience suggests several pitfalls that may have hindered previous reform efforts.

Trying to do everything. Because the different reform strategies discussed in this book have different strengths, one might reasonably conclude that a research-based reform strategy would combine all of the approaches: large-scale welfare-to-work programs and/or work mandates, generous financial incentives, and strict time limits. But this may not be possible or desirable in all cases.

First, because most of the strategies require an upfront commitment of resources to operate effectively, budget constraints are likely to force states to choose among them. Early state time-limit programs in Florida, Wisconsin, and elsewhere included rich models with nearly all of the elements discussed above, but these programs were pilot-tested in only a few locations, and it is not clear that their upfront costs would be sustainable in a statewide program.[5]

Second, any type of dramatic change in a large system such as welfare will involve major implementation challenges. Broad, multifaceted reforms with many disparate elements are likely to be even more difficult to operate well. Poorly run programs can be very costly, in both financial and political terms.

Third, while some of the strategies may reinforce one another, others may not fit together neatly. Earlier chapters discussed the potential conflicts between certain kinds of financial incentives and time limits, and noted that there may be an inherent conflict between strategies that aim to maximize work *while people receive welfare* and approaches that primarily seek to increase the number of people who find jobs and *leave welfare*.

Fourth, there are still critical gaps in the research record, particularly with regard to the feasibility, impacts, and cost-effectiveness of time limits and financial incentives. Tests of these approaches are under way, but they are still in their early stages. In the case of time limits, none of the earliest tests includes a very large urban area, where implementation may present the biggest challenges. As for financial incentives, their long-range effects—on employment, the stigma associated with welfare, and costs—remain unknown. A research-based reform strategy would need to recognize the dramatic opportunities and risks associated with these approaches, and the lack of long-run evidence on their impacts and feasibility.

Ignoring implementation. Success in any welfare reform effort involves changing the message, services, and quality of programs delivered by staff in their daily interactions with recipients. Change is difficult. Both staff and recipients have heard the same promises many times before. But, from where they sit, not much actually changes: Staff members still work in the same (often rundown) offices; they still offer the same mix of services—counseling, job search, child care; they still rely on the same providers to deliver education, training, and other services; and they still face the same eligibility quality-control demands, with form after form to complete, review, and verify. Sometimes the policies really are different. But they do not feel different at the local level, where staff meet clients, unless administrators have the resources and energy to train and retrain staff, redesign forms and procedures, develop effective management information systems, and restructure the content of programs.

Considering resources last. In the past, policymakers have sometimes considered resources last, after all the other key decisions had been made. But most of the policies that states will want to pursue cost more, at least in the short run. These include financial incentives, universal work requirements, and welfare-to-work programs that provide job search assistance to virtually every welfare recipient. Such policies have promise on paper, but they can be little more than promises if resources are not in place to support them.

As budgets change, and resources decline, policymakers often fail to rethink their policies in light of the available resources. By failing to make explicit decisions when resources change, policymakers leave critical policy decisions to individual caseworkers. For example, to maximize outcomes such as job placement rates, caseworkers may screen out difficult-to-place recipients. Yet these are often the recipients least likely to leave welfare on their own, and thus are the group for whom services can make more of a difference.

Building unrealistic expectations. Ultimately, the success or failure of a reform effort depends in large part on public expectations. If a policy delivers much less than it promises, it is likely to be judged a failure.

The public's strong resistance to long-term dependency has made welfare susceptible to heated rhetoric. In this charged environment, public officials have sometimes failed to acknowledge that there are conflicts among the core goals for reform, and have raised public expectations to unreasonable heights. Judged by this standard, their policies—which have in fact often produced positive results—were bound to be seen as inadequate. A few years later, a new generation of reformers repeats the process, denouncing the failure of past efforts and promising to achieve dramatic results with more radical measures.

Some policymakers will argue that their goals are not in conflict. This may be true, but welfare reform policies play out in the public arena, in legislatures and the media, where diverse constituencies and points of view are represented. As a result, reforms are likely to be forced to achieve multiple goals that are at least partly incompatible. The landscape of reform is littered with proposals that failed because policymakers were not explicit about these multiple goals.

The core dilemmas described in this book are not new. They have been around as long as the impulse toward welfare reform has existed. Thus, history strongly suggests that welfare reform will always be a balancing act, with the basic goals pulling in different directions and no easy way to resolve the conflicts among them. Reforms are unlikely to achieve dramatic progress toward one goal without pulling us further from achieving one or more of the others. In this environment, it seems wise for policymakers to look for strategies that optimize results across goals, rather than approaches that promise to maximize attainment of a single goal. In order to avoid unintended, undesired consequences, it would be prudent to combine large doses of what we know works with smaller, experimental doses of what we hope works, adjusting the mix as results and experience indicate.

New Opportunities

Much of this chapter has focused on the challenges associated with balancing the conflicting goals of welfare reform. These challenges are indeed daunting.

At the same time, enactment of the Personal Responsibility and Work Opportunity Reconciliation Act provides states and localities with a rare opportunity to step back and rethink their social welfare policies. Although there will be real fiscal constraints, the new law gives states the flexibility to make significant changes in virtually every program area. Building on the existing knowledge base, on additional results from ongoing studies that will emerge in the near future, and on careful tests of new ideas may make it possible to design a system that not only is more consistent with widely shared values but also does a better job of supporting vulnerable children.

Work-Related Provisions of the 1996 Federal Welfare Law[*]

This appendix summarizes the work-related provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The law converts the former Aid to Families with Dependent Children (AFDC) program into block grants to states, giving individual states great control over the shape of their welfare programs. The law also includes some constraints on the use of block grant funds and some conditions for the receipt of funds. In particular, it sets high standards for participation in work activities.

This summary is not comprehensive, and many provisions of the law have yet to be interpreted. However, it can help policymakers and administrators understand how their welfare reform plans will fit into the context of the federal law.

Participation Requirements

Participation rates. States must meet the following minimum rates of participation for those receiving assistance:

	Participation rate (%)	
Year	All families	Two-parent families
1997	25%	75%
1998	30	75
1999	35	90
2000	40	90
2001	45	90
2002+	50	90

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[*] Reprinted from Amy Brown, *Work First: How to Implement an Employment-Focused Approach to Welfare Reform*, ReWORKing Welfare: Technical Assistance for States and Localities (New York: Manpower Demonstration Research Corporation, 1997).

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Reduction of the participation rates. The rates are reduced by the number of percentage points by which average monthly caseloads of the last fiscal year are below FY 1995 caseloads. Caseload reductions due to changes in federal law or in eligibility criteria do not count toward reducing the participation requirement.

Calculation of the participation rates. The rate for a fiscal year equals the average of 12 monthly participation rates. The *numerator* equals the number of families receiving assistance that include an adult or minor head of household who is engaged in work (i.e., meeting the weekly hours requirement in allowable activities, defined below). The *denominator* equals the total number of families receiving assistance that include an adult or minor head of household minus those in sanction status (but not those sanctioned more than 3 months of the past 12 months). States can exempt single parents with a child under age one from participation, and then not count them in the calculation above for up to one year per person. States can choose whether or not to include individuals receiving assistance under a tribal family assistance plan.

Hours requirements. To count toward the participation requirements, parents must participate for at least the following number of hours per week:

	Number of hours of participation per week		
Year	All families	Single parents with a child under six	Two-parent families
1997	20 hours	20 hours	35 hours
1998	20	20	35
1999	25	20	35
2000+	30	20	35

In addition, if a two-parent family is receiving federally funded child care assistance and an adult in the family is not disabled or caring for a disabled child, then in order to count toward the participation rates, the second parent must also participate for at least 20 hours per week.

Allowable Activities

At least 20 hours per week for all families and 30 hours per week for two-parent families must be spent in one or more of the following activities:

- Unsubsidized employment
- Subsidized private-sector employment
- Subsidized public-sector employment
- Work experience
- On-the-job training
- Job search and job readiness assistance (for up to six weeks total per individual—or 12 weeks if the state unemployment rate is 50 percent greater than the national rate—

and not for more than four consecutive weeks; participation for three or four days in a week counts as a week toward the participation rates only once per individual)

- Community service programs
- Vocational educational training (up to 12 months per individual; see below for a description of the limitation on percentage of caseload in this activity)
- Provision of child care services to an individual participating in community service

The remaining required hours may be in the above or the following activities:

- Job skills training directly related to employment
- Education directly related to employment (only for those who do not have a high school diploma or equivalent)
- Satisfactory attendance at secondary school or in a course of study leading to a certificate of general equivalence (only for those who do not have a high school diploma or equivalent)

Teen heads of household can meet the participation requirements by maintaining satisfactory attendance in high school or the equivalent (without being subject to the specific hourly requirements) or by participating in education directly related to employment for at least the minimum number of hours per week.

No more than 20 percent of individuals in all families can meet the requirements by participating in vocational educational training or being a teen head of household in school.

Penalties for individuals. If parents refuse to participate, the state shall reduce assistance at least pro rata with respect to the period of noncompliance or terminate assistance (subject to good cause and other exceptions determined by the state).

States cannot reduce or terminate assistance for refusal to work if a single parent with a child under age six can prove an inability (as determined by the state) to obtain needed child care, for one or more of the following reasons: unavailability of appropriate child care within a reasonable distance from the individual's home or worksite; unavailability or unsuitability of informal child care by a relative or under other arrangements; unavailability of appropriate and affordable formal child care arrangements.

Penalties for states. A state's block grant will be reduced by up to 5 percent for not meeting the participation requirements, plus up to an additional 2 percent each immediately successive year in which the rates are not met, up to a maximum of 21 percent. (The exact amount is to be determined on the basis of the severity of the failure to meet the requirements.) If a state's grant is cut because of a penalty, it must replace the reduced funds with state funds in the next fiscal year. There are also rules and a process governing compliance and the imposition of penalties.

Other Work Provisions

Work required after two years. Among other things, the plan that states must submit in order to receive block grant funding must describe how the state intends to require parents to engage in work (as defined by the state) once they have received assistance for 24 months or once the state determines that they are ready to engage in work, whichever is earlier.

Community service required after two months. Not later than one year after enactment, states must require parents who have received assistance for two months, who are not meeting the participation requirements, and who are not exempt from these requirements to participate in community service employment. The minimum number of hours per week and community service tasks are determined by the state. States can opt out of this requirement.

Individual responsibility plan. States must make an initial assessment of the skills, prior work experience, and employability of recipients who are 18 or older, or who do not have a high school diploma or the equivalent and are not attending high school. On the basis of that assessment, states have the option of developing a plan that sets forth an employment goal, obligations, and services that are designed to move the recipient into private-sector employment as quickly as possible.

Other Related Provisions

Time limit. States cannot use federal block grant funds for families that include an adult who has received assistance (attributable to federal funds) for 60 months, whether consecutive or not. States can exempt up to 20 percent of the caseload from the time limit.

Teen parents. States cannot use federal block grant funds to assist an unmarried parent under 18 who has a child at least 12 weeks old and who has not completed high school (or its equivalent) unless the parent is in school, a GED program, or an alternative education or training program approved by the state. Block grant funds also cannot be used to provide assistance to an unmarried parent under 18 who is not living at home or in another adult-supervised setting, unless the state determines that such an arrangement is not appropriate.

Child care. Child care funding is consolidated into a block grant to states. At least 70 percent of mandatory funds must be used for families who are receiving assistance under the state's welfare block grant program, are in transition off assistance through work activities, or are at risk of becoming dependent on assistance. A "substantial portion" of any additional amount should be used to provide assistance to low-income working families.

Continuation of waivers. States can opt to continue one or more waivers that are in effect as of the date of enactment (August 22, 1996). Until the waiver expires, the legislation does not apply to the extent that it is inconsistent with the waiver. The same holds true for waivers submitted before enactment and approved by July 1, 1997, except that the work requirements still apply. States that choose to continue a waiver will still receive the same amount of block grant funding. States that request termination of a waiver no later than 90 days after the end of the first regularly scheduled legislative session after the bill becomes law will be held harmless for any cost-neutrality liabilities incurred under the waiver.

Notes

Chapter 1: **Defining the Goals of Welfare Reform**

1. Recently, some have argued that AFDC was always intended to provide temporary assistance. In fact, while the authors of the Social Security Act may have envisioned that the AFDC program would not need to be permanent—they assumed that widows and their children would generally be covered by Social Security Survivors' Insurance once that program was fully operational—they placed no limit on the length of time an individual dependent child could receive benefits and did not design the program to prepare recipients for employment. For general information on the origins of AFDC, see Winifred Bell, *Aid to Dependent Children* (New York: Columbia University Press, 1965); Linda Gordon, *Pitied but Not Entitled* (Cambridge, Mass.: Harvard University Press, 1994); James Patterson, *America's Struggle Against Poverty* (Cambridge, Mass.: Harvard University Press, 1994).

2. Thomas Wayne Brock, "The Implementation of Welfare Reform: Policy and Organizational Effects on Service Delivery in Los Angeles County" (Ann Arbor, Mich.: University Microfilms International, 1992), pp. 8–9; U.S. Department of Health and Human Services, Administration for Children and Families, "Flash Report," April 1994 and January 1997.

3. Historical data from Brock, "The Implementation of Welfare Reform," 1992, pp. 8–9, and Mildred Rein, *Dilemmas of Welfare Policy: Why Work Strategies Haven't Worked* (New York: Praeger, 1982), p. ix. Current data from U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, *Characteristics and Financial Circumstances of AFDC Recipients, FY 1994* (Washington, D.C.: U.S. Government Printing Office, n.d.), Tables 10 and 16.

4. U.S. Bureau of the Census, *Statistical Abstract of the United States, 1995* (Washington, D.C.: U.S. Department of Commerce, 1995), Table 638 (p. 406).

5. See, for example, "Yet Another Sham Welfare Reform: Examining the National Governors' Association's Plan," in *The Heritage Foundation Backgrounder*, No. 1075, March 18, 1996, pp. 2–4; Robert Rector, "Welfare Reform and the Death of Marriage," in *The Heritage Foundation FYI* (Washington, D.C.: Heritage Foundation, n.d.); Charles Murray, "The Coming White Underclass," in *The Wall Street Journal*, October 19, 1993.

6. See, for example, a press release headed "Researchers Dispute Contention That Welfare Is Major Cause of Out-of-Wedlock Births," University of Michigan's School of Social Work, June 23, 1994.

7. Geoffrey Garin, Guy Molyneux, and Linda DiVall, "Public Attitudes Toward Welfare Reform: A Summary of Key Research Findings" (Washington, D.C.: Peter D. Hart Research Associates and American Viewpoint, 1994), p. 5. See also Steve Farkas and Jean Johnson, "The Values We Live By: What Americans Want from Welfare Reform" (New York: Public Agenda, 1996), p. 9.

8. U.S. House of Representatives, Committee on Ways and Means, *1996 Green Book: Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means* (Washington, D.C.: U.S. Government Printing Office, 1996), p. 1226; Lee Rainwater and Timothy M. Smeeding, Luxembourg Income Study, *Doing Poorly: The Real Income of American Children in a Comparative Perspective*, August 1995, cited in Iris J. Lav and Edward B. Lazere, *A Hand Up: How State Earned Income Credits Help Working Families Escape Poverty* (Washington, D.C.: Center on Budget and Policy Priorities, 1996), p. 11.

9. Because most AFDC recipients are single parents, child support payments are another potential source of income to substitute for welfare. Thus, there has been a parallel focus on strengthening the child support enforcement system. However, as discussed later in this book, at this point most low-income single mothers receive little or no financial support from their children's noncustodial fathers.

10. See, for example, Steve Savner and Mark Greenberg, *The CLASP Guide to Welfare Waivers: 1992–1995* (Washington, D.C.: Center for Law and Social Policy, 1995), pp. 3–4; Center for Law and Social Policy, "Updated Waiver Information," May 1996, pp. 1–2.

11. For example, as of April 1996, 20 states had requested or obtained waivers to impose a "family cap" that denies benefit increases for additional children born while the family is receiving welfare. Seventeen states had requested or obtained waivers to impose immunization or health screening requirements. See Center for Law and Social Policy, "Updated Waiver Information," May 1996.

Chapter 2: **The Starting Point: Welfare Recipients, the Labor Market, and Welfare as We Have Known It**

1. Calculated from U.S. Department of Health and Human Services, Administration for Children and Families, "Flash Report," January 1997; and U.S. Bureau of the Census, *Statistical Abstract of the United States, 1995* (Washington, D.C.: U.S. Department of Commerce, 1995), Table 16 (p.16).

2. U.S. House of Representatives, Committee on Ways and Means, *1994 Green Book: Overview of Entitlement Programs* (Washington, D.C.: U.S. Government Printing Office, 1994), Table 10-1 (p. 325); decline calculated from U.S. Department of Health and Human Services, Administration for Children and Families, monthly "Flash Reports."

3. U.S. Congressional Budget Office, "Forecasting AFDC Caseloads, with an Emphasis on Economic Factors" (Washington, D.C.: Congressional Budget Office Staff Memorandum, July 1993).

4. U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, *Characteristics and Financial Circumstances of AFDC Recipients, FY 1994* (Washington, D.C.: U.S. Government Printing Office, n.d.), Tables 7, 10, 15, 21.1; U.S. House of Representatives, *1994 Green Book*, Tables 10-1 (p. 325), 10-27 (pp. 401–02), 10-30 (p. 407); Child Trends, Inc., "Facts at a Glance" (Washington, D.C.: Child Trends, Inc., March 1993).

5. See, for example, Dan Bloom and Kay Sherwood, *Matching Opportunities to Obligations: Lessons for Child Support Reform from the Parents' Fair Share Pilot Phase* (New York: MDRC, 1994), pp. 73–75.

6. See, for example, Dan Bloom and David Butler, *Implementing Time-Limited Welfare: Early Experiences in Three States* (New York: MDRC, 1995), pp. 20–21.

7. U.S. House of Representatives, *1994 Green Book*, pp. 447–49.

8. LaDonna Pavetti, "The Dynamics of Welfare and Work" (John F. Kennedy School of Government, Harvard University, draft, October 1992, revised chapter 1993), cited in U.S. House of Representatives, *1994 Green Book*, pp. 442, 450.

9. A similar analogy is used in Mary Jo Bane and David T. Ellwood, "The Dynamics of Dependence: The Routes to Self-Sufficiency" (Cambridge, Mass.: Urban Systems Research and Engineering, 1983), pp. 10–12.

10. LaDonna Pavetti, "Who Is Affected by Time Limits?" *Welfare Reform Briefs*, No. 7 (Washington, D.C.: Urban Institute, 1995), p. 3.

11. U.S. Department of Health and Human Services, *Characteristics and Financial Circumstances of AFDC Recipients, FY 1994*, n.d, Table 38. As discussed in Chapter 5, this figure is sensitive to the welfare rules for counting the earnings of recipients who find jobs.

12. See Christopher Jencks and Kathryn Edin, "The Real Welfare Problem," *American Prospect* (Spring 1990): 31–50.

13. James Riccio and Stephen Freedman, *Can They All Work? A Study of the Employment Potential of Welfare Recipients in a Welfare-to-Work Program* (New York: MDRC, 1995), pp. 53–55.

14. U.S. Department of Health and Human Services and U.S. Department of Education, *The JOBS Evaluation: Early Lessons from Seven Sites*, prepared by Gayle Hamilton and Thomas Brock (Washington, D.C.: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, 1994), Table 2.1 (p. 27). See also Dan Bloom and David Butler, *Implementing Time-Limited Welfare: Early Experiences in Three States* (New York: MDRC, 1995). It is important to note that these data were mostly collected for individuals who were required to participate in their state's Job Opportunities and Basic Skills Training (JOBS) program. Individuals who were exempt from JOBS—a group that may have included some of the most disadvantaged recipients—were not represented.

15. Lynn Olson, Linnea Berg, and Aimee Conrad, *High Job Turnover Among the Urban Poor: The Project Match Experience* (Evanston, Ill.: Center for Urban Affairs and Policy Research, Northwestern University, 1990), pp. 15–42. See also Janet Quint and Judith Musick, *Lives of Promise, Lives of Pain: Young Mothers After New Chance* (New York: MDRC, 1994); and LaDonna Pavetti, *Learning from the Voices of Mothers: Single Mothers' Perceptions of the Trade-offs Between Welfare and Work* (New York: MDRC, 1993).

16. To be defined as "disabled" under SSI rules, an individual must be "unable to engage in substantial gainful activities by reason of a medically determined physical or mental impairment expected to result in death or … to last for at least 12 months." See U.S. House of Representatives, *1994 Green Book*, pp. 207-08.

17. Krista Olson and LaDonna Pavetti, *Personal and Family Challenges to the Successful Transition from Welfare to Work* (Washington, D.C.: Urban Institute, 1996), pp. iii, 23–26, 32–34.

18. Pamela Loprest and Gregory Acs, "Profile of Disability Among Families on AFDC." Prepared for the Henry J. Kaiser Family Foundation (Menlo Park, Calif., 1996).

19. U.S. Department of Health and Human Services and U.S. Department of Education, *The JOBS Evaluation: Early Lessons*, prepared by Hamilton and Brock, 1994, Table 2.1 (p. 27), pp. 30–31. For additional information, see Pavetti, "Who Is Affected by Time Limits?" 1995, p. 3; Gary Burtless, "Employment Prospects of Welfare Recipients," in Demetra Smith Nightingale and Robert H. Haveman, eds., *The Work Alternative: Welfare Reform and the Realities of the Job Market* (Washington, D.C.: Urban Institute, 1995), pp. 75–77.

20. Olson and Pavetti, *Personal and Family Challenges to the Successful Transition from Welfare to Work*, 1996, pp. 2, 4, 26.

21. U.S. Department of Health and Human Services and U.S. Department of Education, *The JOBS Evaluation: Early Lessons*, 1994, Table 2.3 (pp. 37–38).

22. U.S. Congressional Budget Office, "Forecasting AFDC Caseloads," 1993.

23. Judith M. Gueron and Edward Pauly, *From Welfare to Work* (New York: Russell Sage Foundation, 1991), p. 47; James Riccio, Daniel Friedlander, and Stephen Freedman, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program* (New York: MDRC, 1994), pp. 281–82.

24. Rebecca Blank, "Outlook for the U.S. Labor Market and Prospects for Low-Wage Entry Jobs," in Nightingale and Havemann, eds., *The Work Alternative*, 1995, pp. 34–40.

25. Burtless, "Employment Prospects of Welfare Recipients," 1995, pp. 87–89.

26. Blank, "Outlook for the U.S. Labor Market and Prospects for Low-Wage Entry Jobs," 1995, p. 40.

27. Harry J. Holzer, *What Employers Want: Job Prospects for Less Educated Workers* (New York: Russell Sage Foundation, 1996); Laura Leete and Neil Bania, "The Impact of Welfare Reform on Local Labor Markets" (Cleveland: Center for Urban Poverty and Social Change, Case Western Reserve University, 1996); William Julius Wilson, *When Work Disappears: The World of the New Urban Poor* (New York: Alfred A. Knopf, 1996); Katherine Newman and Chauncy Lennon, *Finding Work in the Inner City: How Hard Is It Now? How Hard Will It Be for AFDC Recipients?* Russell Sage Foundation Working Paper No. 76 (New York: Russell Sage Foundation, 1995).

28. For one study of discrimination in hiring, see Margery Austin Turner, Michael Fix, and Raymond J. Struyk, *Opportunities Denied, Opportunities Diminished: Discrimination in Hiring* (Washington, D.C.: Urban Institute, 1991). For studies specifically about low-income minority women, see Holzer, *What Employers Want*, 1996, and Newman and Lennon, *Finding Work in the Inner City*, 1995.

29. Burtless, "Employment Prospects for Welfare Recipients," 1995, pp. 71–106; Blank, "Outlook for the U.S. Labor Market and Prospects for Low-Wage Entry Jobs," 1995, pp. 33–69.

30. Blank, "Outlook for the U.S. Labor Market and Prospects for Low-Wage Entry Jobs," 1995, p. 62.

31. Riccio, Friedlander, and Freedman, *GAIN*, 1994, Tables 5.1 (p. 169), 5.2 (p. 170).

32. U.S. House of Representatives, Committee on Ways and Means, *1996 Green Book: Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means* (Washington, D.C.: U.S. Government Printing Office, 1996), pp. 1315–24.

33. States spent an additional $67 billion on Medicaid in 1995. U.S. House of Representatives, *1996 Green Book*, pp. 896–905.

34. The federal share was about $13.8 billion ($12 billion for benefits and $1.8 billion for administrative costs). The state share was about $11.7 billion ($10 billion for benefits and $1.7 billion for administrative costs). U.S. Department of Health and Human Services, *Indicators of Welfare Dependence and Well-Being: Interim Report to Congress* (Washington, D.C.: U.S. Department of Health and Human Services, October 1996), p. II-8.

35. The percentages are from fiscal year 1994. Sharon Parrott, "What Do We Spend on 'Welfare'?" (Washington, D.C.: Center on Budget and Policy Priorities, 1995), Table 1; Steve Gold, Urban Institute, "State Fiscal Conditions and Welfare Spending," handout at the Carnegie Corporation Mini-Conference, February 9, 1996.

36. The figure for Food Stamp spending includes $23.8 billion for benefits (all federal funds), $1.9 billion in federal administrative costs, and $1.7 billion in state administrative costs. U.S. House of Representatives, *1996 Green Book*, p. 861. Data on the proportion of Food Stamp spending going to AFDC recipients are from Parrott, "What Do We Spend on 'Welfare'?" 1995, Table 1.

37. U.S. House of Representatives, *1996 Green Book*, pp. 446–48.

38. U.S. House of Representatives, *1996 Green Book*, p. 448.

39. The $280 figure assumes that the family received $415 in AFDC (this is the weighted average benefit for families of three) and had $345 in shelter costs per month. This is the median shelter cost in 1993 for families of three that received all their cash income from AFDC and were not among the one-quarter of families with the lowest shelter costs. Calculations by the Center on Budget and Policy Priorities.

40. U.S. House of Representatives, *1994 Green Book*, Table 10-11 (p. 367), p. 374. Food Stamps partly compensate for the variation in AFDC grant levels because there is a uniform national benefit structure and because AFDC is counted as income in determining a family's Food Stamp benefits. Thus, families with lower AFDC grants receive larger amounts of Food Stamps. It is important to note that Food Stamp spending was sharply reduced in the 1996 welfare law.

41. U.S. Department of Health and Human Services, *Characteristics and Financial Circumstances of AFDC Recipients, FY 1994*, n.d., Table 4.

42. Prior to the late 1960s, the same staff were generally responsible for determining eligibility and benefits and for providing services to AFDC recipients. The move to separate the functions drew support from across the political spectrum at the time. See Mary Jo Bane and David T. Ellwood, *Welfare Realities: From Rhetoric to Reform* (Cambridge, Mass.: Harvard University Press, 1994), pp. 14–15.

Chapter 3: **Welfare-to-Work Programs**

1. For the early history of work-related programs for AFDC recipients, see Mildred Rein, *Dilemmas of Welfare Policy: Why Work Strategies Haven't Worked* (New York: Praeger, 1982). For more information on the JOBS program, see Mark Greenberg, *The JOBS Program: Answers and Questions* (Washington, D.C.: Center for Law and Social Policy, 1990).

2. Stephen Freedman et al., *GAIN: Five-Year Impacts on Employment, Earnings, and AFDC Receipt* (New York: MDRC, 1996), Table 1.

3. James Riccio, Daniel Friedlander, and Stephen Freedman, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program* (New York: MDRC, 1994), Table 7.7 (p. 258). The $13 million figure is calculated by multiplying the net government savings per GAIN program group member ($2,936) by the total number of program group members (4,457).

4. Riccio, Friedlander, and Freedman, *GAIN*, 1994, p. 252.

5. Riccio, Friedlander, and Freedman, *GAIN*, 1994, p. 3; U.S. House of Representatives, Committee on Ways and Means, *1994 Green Book: Overview of Entitlement Programs* (Washington, D.C.: U.S. Government Printing Office, 1994), Table 10-8 (pp. 357–59).

6. U.S. Department of Health and Human Services and U.S. Department of Education, *The JOBS Evaluation: Early Findings on Program Impacts in Three Sites*, prepared by Stephen Freedman and Daniel

Friedlander (Washington, D.C.: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, 1995), Table ES-1 (p. ES-5).

7. Riccio, Friedlander, and Freedman, *GAIN*, 1994, p. 172; Tables 2 (p. xxxii) and 4.10 (p. 160).

8. Riccio, Friedlander, and Freedman, *GAIN*, 1994, p. xlii; James J. Kemple, Daniel Friedlander, and Veronica Fellerath, *Florida's Project Independence: Benefits, Costs, and Two-Year Impacts of Florida's JOBS Program* (New York: MDRC, 1995), p. ES-22.

9. Kemple, Friedlander, and Fellerath, *Florida's Project Independence*, 1995, p. ES-24; Riccio, Friedlander, and Freedman, *GAIN*, 1994, p. xliii. In both cases, the gross cost includes services provided to program group members after they left the program being studied. These "non-program" costs are not included in Table 3.1. Thus, in that table, net costs represent a larger fraction of gross costs for both programs.

10. For a discussion of the budget issues surrounding the start-up or expansion of major welfare reforms, see Kay E. Sherwood and David A. Long, "JOBS Implementation in an Uncertain Environment: A Model Helps Administrators Understand How Programs Might Unfold," *Public Welfare*, Winter 1991 (Washington, D.C.: American Public Welfare Association), pp. 17–27.

11. Kemple, Friedlander, and Fellerath, *Florida's Project Independence*, 1995, p. 182.

12. Karin Martinson and Daniel Friedlander, *GAIN: Basic Education in a Welfare-to-Work Program* (New York: MDRC, 1994), p. 69.

13. U.S. Department of Health and Human Services and U.S. Department of Education, *The JOBS Evaluation: Program Implementation and Two-Year Participation Patterns, Costs, and Impacts in Three Sites*, prepared by Gayle Hamilton, Thomas Brock, Mary Farrell, Daniel Friedlander, and Kristen Harknett, with JoAnna Hunter-Manns, Johanna Walter, and Joanna Weissman (Washington, D.C.: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, forthcoming).

14. This adjustment does not account for the fact that some of the elements of the programs' overall costs—tuition in education and training programs, for example—may have risen at a different rate than overall inflation.

15. Riccio, Friedlander, and Freedman, *GAIN*, 1994, Table 6 (p. xli).

16. Riccio, Friedlander, and Freedman, *GAIN*, 1994, p. xl.

17. Riccio, Friedlander, and Freedman, *GAIN*, 1994, p. 90.

18. These figures cover two years and thus are not directly comparable to the figures cited for earlier programs, which covered five years. However, past studies have shown that the large majority of costs in such programs are incurred in the first two years. U.S. Department of Health and Human Services and U.S. Department of Education, *The JOBS Evaluation: Program Implementation and Two-Year Participation Patterns, Costs, and Impacts in Three Sites*, forthcoming.

19. Daniel Friedlander and Gary Burtless, *Five Years After: The Long-Term Effects of Welfare-to-Work Programs* (New York: Russell Sage Foundation, 1995), p. 13.

20. Daniel Friedlander and Gayle Hamilton, *The Saturation Work Initiative Model in San Diego: A Five-Year Follow-Up Study* (New York: MDRC, 1993), p. 60; Kemple, Friedlander, and Fellerath, *Florida's Project Independence*, 1995, Table 7 (p. ES-25); Riccio, Friedlander, and Freedman, *GAIN*, 1994, p. xlvii.

21. Riccio, Friedlander, and Freedman, *GAIN*, 1994, p. xlv.

22. Kemple, Friedlander, and Fellerath, *Florida's Project Independence*, 1995, p. ES-25; Friedlander and Hamilton, *The Saturation Work Initiative Model in San Diego*, 1993, p. xxvii.

23. Frank Levy and Richard J. Murnane, "U.S. Earnings Levels and Earnings Inequality: A Review of Recent Trends and Proposed Explanations," *Journal of Economic Literature*, Vol. 30 (September 1992): 1356–57; Rebecca Blank, "Outlook for the U.S. Labor Market and Prospects for Low-Wage Entry Jobs," in Demetra Smith Nightingale and Robert H. Haveman, eds., *The Work Alternative: Welfare Reform and the Realities of the Job Market* (Washington, D.C.: Urban Institute, 1995), pp. 40–44.

24. U.S. Department of Health and Human Services and U.S. Department of Education, *The JOBS Evaluation: Program Implementation and Two-Year Participation Patterns, Costs, and Impacts in Three Sites*, forthcoming.

25. Gueron and Pauly, *From Welfare to Work*, 1991; Friedlander and Burtless, *Five Years After*, 1995. The one study that did not find positive employment results was of a program in Cook County,

Illinois. The study attributed this to the fact that the program mainly monitored and sanctioned people, providing little direct assistance in the job search component (Gueron and Pauly, p. 153).

26. Friedlander and Burtless, *Five Years After*, 1995, p. 150.

27. It is also important to note that these studies were not initially designed to provide long-term follow-up data. Thus, control group members may have become subject to participation mandates in the later years of the follow-up period. This may have accelerated the "catch-up" process.

28. See the following articles in *Journal of Policy Analysis and Management*, Vol. 10, No. 4 (1991): Erica B. Baum, "When the Witch Doctors Agree: The Family Support Act and Social Science Research," pp. 603–15; Ron Haskins, "Congress Writes a Law: Research and Welfare Reform," pp. 616–32; Peter L. Szanton, "The Remarkable 'Quango': Knowledge, Politics, and Welfare Reform," pp. 590–602.

29. For example, in fiscal year 1992, 55 percent of JOBS participants nationwide were in education or training activities. In contrast, less than 10 percent were in job search, and less than 4 percent were in unpaid work experience. The remainder were in other program statuses, such as assessment. U.S. Department of Health and Human Services, "JOBS Program Information Memorandum" (Washington, D.C.: U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, 1994), Table 1.

30. Friedlander and Burtless, *Five Years After*, 1995, pp. 16–18.

31. Although SWIM provided education or training to program group members who did not find jobs through job search or work experience, many control group members also obtained such services on their own. In addition, the decline in program impacts may have been attributable in part to control group members' having entered the GAIN program, which replaced SWIM partway through the follow-up period. See Friedlander and Hamilton, *The Saturation Work Initiative Model in San Diego*, 1993, pp. 19–29, 31–44; Daniel Friedlander and Gayle Hamilton, "The Impact of a Continuous Participation Obligation in a Welfare Employment Program," *Journal of Human Resources*, Vol. 31, No. 4 (Fall 1996): 734–56.

32. Riccio, Friedlander, and Freedman, *GAIN*, 1994, pp. 55, 172–73, Table 5.1 (pp. 168–69); Friedlander and Burtless, *Five Years After*, 1995, p. 32.

33. Amy Zambrowski and Anne Gordon, *Evaluation of the Minority Female Single Parent Demonstration: Fifth-Year Impacts of CET*, prepared by Mathematica Policy Research, Inc., Princeton, N.J., for The Rockefeller Foundation, 1993.

34. Zambrowski and Gordon, *Evaluation of the Minority Female Single Parent Demonstration*, 1993, p. xiii; George Cave et al., *JOBSTART: Final Report on a Program for School Dropouts* (New York: MDRC, 1993), p. xl.

35. Larry L. Orr et al., *Does Training for the Disadvantaged Work? Evidence from the National JTPA Study* (Washington, D.C.: Urban Institute Press, 1996), Exhibit 5.10 (p. 164).

36. Friedlander and Burtless, *Five Years After*, 1995, pp. 12–13; Freedman et al., *GAIN*, 1996, Table 2.

37. Stephen V. Cameron and James J. Heckman, "The Nonequivalence of High School Equivalents," *Journal of Labor Economics*, Vol. 11, No. 1 (1993): 1–47; Richard J. Murnane, John B. Willett, and Kathryn Parker Boudett, "Do High School Dropouts Benefit from Obtaining a GED?" *Educational Evaluation and Policy Analysis*, Vol. 17, No. 2 (Summer 1995): 133–47.

38. U.S. Department of Health and Human Services and U.S. Department of Education, *The JOBS Evaluation: Early Lessons from Seven Sites*, prepared by Gayle Hamilton and Thomas Brock (Washington, D.C.: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, 1994), p. 39.

39. U.S. Department of Health and Human Services and U.S. Department of Education, *The JOBS Evaluation: Adult Education for People on AFDC: A Synthesis of Research*, prepared by Edward Pauly (Washington, D.C.: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, 1995), pp. 61–65; Martinson and Friedlander, *GAIN: Basic Education in a Welfare-to-Work Program*, Tables 3.11 (p. 77) and 3.12 (p. 80); Edward Pauly, David A. Long, and Karin Martinson, *Linking Welfare and Education: A Study of New Programs in Five States* (New York: MDRC, 1992), p. 14.

40. Toby Herr and Robert Halpern, *Changing What Counts: Rethinking the Journey Out of Welfare* (Evanston, Ill.: Center for Urban Affairs and Policy Research, Northwestern University, 1991), pp. 15–16, 18–21.

41. Martinson and Friedlander, *GAIN: Basic Education in a Welfare-to-Work Program*, 1994, pp. 39, 109, 129, Table 5.1 (pp. 139–41).

42. Lin, Freedman, and Friedlander, *GAIN*, 1995, p. 4, Table 3.

43. Riccio, Friedlander, and Freedman, *GAIN*, 1994, pp. xxii–xxiii, xxx, xxxix, Table 4 (p. xxxvi), p. 147, Table 4.6 (pp. 141–45).

44. Evan Weissman, *Changing to a Work First Strategy: Lessons from Los Angeles County's GAIN Program for Welfare Recipients*, ReWORKing Welfare: Technical Assistance for States and Localities (New York: MDRC, 1997).

45. Gueron and Pauly, *From Welfare to Work*, 1991, pp. 44–45, 182–86.

46. Lawrence M. Mead, "Optimizing the JOBS Program," draft paper, September 20, 1995.

47. Riccio, Friedlander, and Freedman, *GAIN*, 1994, Table 2.13 (p. 62). This survey included people who were or had been mandatory participants in the GAIN program. At the time, GAIN did not require mothers with preschool children to participate, so their views are not represented in the survey.

48. See, for example, James A. Riccio and Alan Orenstein, "Understanding Best Practices for Operating Welfare-to-Work Programs," *Evaluation Review*, Vol. 20, No. 1 (February 1996): 3–28.

49. For a discussion of how program managers create high expectations for line staff and clients, see Eugene Bardach, *Improving the Productivity of JOBS Programs* (New York: MDRC, 1993).

50. Kemple, Friedlander, and Fellerath, *Florida's Project Independence*, 1995, pp. ES-2–3; Daniel Friedlander et al., *Illinois: Final Report on Job Search and Work Experience in Cook County* (New York: MDRC, 1987), pp. vii–x.

51. For example, in the past few years, more than 35 states sought or received waivers either to reduce the number of exemptions from JOBS requirements or to expand the JOBS components. See Center for Law and Social Policy, "Updated Waiver Information" (Washington, D.C.: Center for Law and Social Policy, May 1996).

52. For example, job search and job-readiness assistance count as work activities, but only for a total of six weeks per individual (or 12 weeks if the state is experiencing very high unemployment). Similarly, vocational educational training also counts, but only for up to one year per individual.

53. Under JOBS rules, a case head was exempt if she was under age 16; 16 or older and attending school; ill or incapacitated; at least 60 years old; residing in a remote area; caring for an ill or incapacitated household member; working 30 hours or more per week; pregnant; caring for a child under age three (or age one, at state option); caring for a child under age six, unless child care was guaranteed; a second parent in an AFDC-UP (two-parent) family caring for a young child; or a full-time VISTA volunteer. Under the 1996 federal welfare law, the base for calculating the participation rate includes all families receiving assistance that include an adult or minor child head of household minus those who are being sanctioned (but not those sanctioned more than three of the previous 12 months). States can exempt from participation single parents with a child under age one.

54. U.S. Department of Health and Human Services and U.S. Department of Education, *The JOBS Evaluation: Monthly Participation Rates in Three Sites and Factors Affecting Participation Levels in Welfare-to-Work Programs*, prepared by Gayle Hamilton (Washington, D.C.: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, 1995), Table ES-1 (p. ES-7).

55. U.S. Department of Health and Human Services and U.S. Department of Education, *The JOBS Evaluation: Monthly Participation Rates*, 1995, pp. 58–59. With certain restrictions, under the 1996 law a state's required participation rate is reduced by the number of percentage points by which its average monthly caseloads are below fiscal year 1995 caseloads.

56. Gayle Hamilton, *Interim Report on the Saturation Work Initiative Model in San Diego* (New York: MDRC, 1988), pp. xx–xxi.

57. LaDonna A. Pavetti and Amy-Ellen Duke, *Increasing Participation in Work-Related Activities: Lessons from Five State Welfare Reform Demonstration Projects, Final Report*, Vol. I, Summary Report (Washington, D.C.: Urban Institute, 1995), pp. ii, iv, xliv, xlvii–xlviii, li–liii.

58. Pavetti and Duke, *Increasing Participation in Work-Related Activities*, 1995, pp. li–lvi.

59. Thomas Brock and Kristen Harknett, "Separation Versus Integration of Income Maintenance and Employment Services: Which Model Is Best? Findings from a Case Management Experiment in

Columbus, Ohio," paper presented at the annual conference of the Association for Public Policy Analysis and Management, Pittsburgh, Pa., November 2, 1996.

60. Mead, "Optimizing the JOBS Program," 1995.

61. The Tulare County GAIN program is an example. See Riccio, Friedlander, and Freedman, *GAIN*, 1994, Tables 2.1 (p. 26), 4.1 (p. 121).

62. Kemple, Friedlander, and Fellerath, *Florida's Project Independence*, 1995, pp. ES-2–3; Friedlander et al., *Illinois*, 1987, pp. vii–x.

63. Center for Law and Social Policy, "Updated Waiver Information," May 1996, p. 2.

64. Under the 1996 law, if parents refuse to participate, the state is supposed to reduce assistance "at least pro rata" with respect to the period of noncompliance or terminate assistance. However, states may not reduce or terminate assistance for refusal to work if a single parent with a child under the age of six proves that she or he is unable to obtain needed child care.

65. The study is being conducted by researchers of Mathematica Policy Research, Inc., and the Institute for Social and Economic Development.

66. U.S. Department of Health and Human Services and U.S. Department of Education, *The JOBS Evaluation: Monthly Participation Rates*, 1995, Figure 5.1 (p. 45), pp. ES-13, 44.

67. James Riccio and Yeheskel Hasenfeld, "Enforcing a Participation Mandate in a Welfare-to-Work Program," *Social Service Review* (December 1996).

68. Pavetti and Duke, *Increasing Participation in Work-Related Activities*, 1995, pp. xxxiii–xxxviii.

69. Specifically, block grant funds cannot be used to assist an unmarried parent under 18 who has a child at least 12 weeks old and who has not completed school unless the parent is in school or in an alternative education or training program approved by the state. In addition, block grant funds cannot be used to assist unmarried parents under 18 who are not living at home or in an adult-supervised setting, unless the state determines that such an arrangement is appropriate.

70. David A. Long et al., *LEAP: Three-Year Impacts of Ohio's Welfare Initiative to Improve School Attendance Among Teenage Parents* (New York: MDRC, 1996), pp. ES-6, ES-8, ES-9, 78, 79; David A. Long, Robert G. Wood, and Hilary Kopp, *LEAP: The Educational Effects of LEAP and Enhanced Services in Cleveland* (New York: MDRC, 1994), p. 20; Rebecca Maynard, Walter Nicholson, and Anu Rangarajan, *Breaking the Cycle of Poverty: The Effectiveness of Mandatory Services for Welfare-Dependent Teenage Parents* (Princeton, N.J.: Mathematica Policy Research, Inc., 1993), pp. xviii, 60–63, 69, 87; Janet C. Quint et al., *New Chance: Interim Findings on a Comprehensive Program for Disadvantaged Young Mothers and Their Children* (New York: MDRC, 1994), Table 4 (p. xxxv).

71. Long et al., *LEAP*, 1996, Table 1 (p. ES-7); Quint et al., *New Chance*, 1994, Tables 4 (p. xxxv) and 6 (p. xlii); Rebecca Maynard, ed., *Building Self-Sufficiency Among Welfare-Dependent Teenage Parents: Lessons from the Teenage Parent Demonstration* (Princeton, N.J.: Mathematica Policy Research, Inc., 1993), pp. 42, 75.

72. Quint et al., *New Chance*, 1994, Tables 8.1 (p. 194), 8.6 (p. 209).

73. Long et al., *LEAP*, 1996, p. ES-6, Table 3.1 (p. 31).

74. John Pawasarat, Lois Quinn, and Frank Stetzer, *Evaluation of the Impact of Wisconsin's Learnfare Experiment on the School Attendance of Teenagers Receiving Aid to Families with Dependent Children*, prepared for the Wisconsin Department of Health and Social Services and the U.S. Department of Health and Human Services by the Employment and Training Institute, University of Wisconsin–Milwaukee, 1992; State of Wisconsin Legislative Audit Bureau, *An Evaluation of Third-Semester Impacts of the Wisconsin Learnfare Program: Interim Report* (Madison, Wis.: Legislative Audit Bureau, 1996).

75. Long et al., *LEAP*, 1996, Table 5.6 (pp. 82–83); Maynard, *Building Self-Sufficiency Among Welfare-Dependent Teenage Parents*, 1993, pp. 47–48; Quint et al., *New Chance*, 1994, p. 137, Table 6.2 (p. 138).

76. David L. Olds et al., "Improving the Life-Course Development of Socially Disadvantaged Mothers: A Randomized Trial of Nurse Home Visitation," *American Journal of Public Health*, Vol. 78, No. 11 (November 1988): 1436–45.

77. For a general discussion of characteristics of effective programs for youth, see David A. Long, "What Works? Evidence from Evaluation Research on Programs for Disadvantaged Youths in the United States," working paper prepared for Human Resources Development Canada and the Parliamentary Task Force on Youth (New York: MDRC, 1996). See also Joseph P. Tierney and Jean

Baldwin Grossman, *Making a Difference: An Impact Study of Big Brothers/Big Sisters* (Philadelphia: Public/Private Ventures, 1995), p. 52; Kathryn Furano et al., *Big Brothers/Big Sisters: A Study of Program Practices* (Philadelphia: Public/Private Ventures, 1993), pp. 50–55; Andrew Hahn, *Evaluation of the Quantum Opportunities Program (QOP): Did the Program Work? A Report on the Post-Secondary Outcomes and Cost-Effectiveness of the QOP Program, 1989–1993* (Waltham, Mass.: Brandeis University, Heller Graduate School, Center for Human Resources, 1994), pp. 15–16; Charles Mallar et al., *Evaluation of the Economic Impact of the Job Corps Program: Third Follow-Up Report* (Princeton, N.J.: Mathematica Policy Research, Inc., 1982).

78. Maynard, *Building Self-Sufficiency Among Welfare-Dependent Teenage Parents*, 1993.

79. See, for example, Dan Bloom et al., *LEAP: Implementing a Welfare Initiative to Improve School Attendance Among Teenage Parents* (New York: MDRC, 1991).

80. For example, data from the Wisconsin Learnfare program, which targets all teens in households receiving AFDC, show that in May 1994 there were 3,658 parents among the 25,713 teenagers subject to Learnfare statewide (Wisconsin Department of Health and Social Services).

81. Dan Bloom et al., *LEAP: Interim Findings on a Welfare Initiative to Improve School Attendance Among Teenage Parents* (New York: MDRC, 1993), Table 3.1 (p. 46).

82. Bloom et al., *LEAP*, 1991, pp. 97–100.

83. One such new initiative—Jobs-Plus—targets a group of public housing developments. This project is being developed by MDRC with the support of a consortium of public and private funders.

Chapter 4: **Mandatory Work and Subsidized Employment**

1. See, for example, Geoffrey Garin, Guy Molyneux, and Linda DiVall, "Public Attitudes Toward Welfare Reform: A Summary of Key Research Findings" (Washington, D.C.: Peter D. Hart Research Associates and American Viewpoint, 1994), p. 7.

2. Thomas Brock, David Butler, and David A. Long, *Unpaid Work Experience for Welfare Recipients: Findings and Lessons from MDRC Research* (New York: MDRC, 1993), p. 15.

3. For example, the bill requires that at least 20 hours per week of participation must be in a particular set of activities, which includes mostly unsubsidized and subsidized work. Job search may be counted, but only for six weeks per individual in most cases. Vocational educational training may be counted for up to 12 months per individual, but no more than 20 percent of participants may meet the requirements through this activity.

4. Prior to 1981, unpaid mandatory work (called WIN work experience) could be required under the WIN (Work Incentive) program. While it could be full time, it was limited to 13 weeks and was explicitly intended to provide training and basic work habits to people with limited work histories. The 1980s CWEP or "workfare" programs, in contrast, required welfare recipients to "work off" their grant: the number of work hours required per month was equal to their monthly grant divided by the minimum wage. For a discussion of the history of mandatory work experience, see Brock, Butler, and Long, *Unpaid Work Experience for Welfare Recipients*, 1993, pp. 6–14; Judith M. Gueron and Barbara Goldman, "The U.S. Experience in Work Relief" (unpublished MDRC discussion paper, 1993).

5. Brock, Butler, and Long, *Unpaid Work Experience for Welfare Recipients*, 1993, p. 16.

6. In general, single parents with children age 13 or younger will be required to work 20 hours per week, whereas other recipients will be required to work 40 hours per week. However, the number of required hours will be the lower of these figures or the amount obtained by dividing the recipient's monthly grant amount by the hourly minimum wage and then by 4.3 (the average number of weeks in a month). For more information, see Vermont Department of Social Services, "Community Service Employment: Program Overview," July 1, 1996.

7. Dan Bloom and David Butler, *Implementing Time-Limited Welfare: Early Experiences in Three States* (New York: MDRC, 1995), p. 79; State of Wisconsin, *Wisconsin Works, W-2*, April 1996.

8. For example, during the most successful year of the California demonstration, 4,760 AFDC recipients worked at a work experience site, out of nearly 183,000 eligible people. See Brock, Butler, and Long, *Unpaid Work Experience for Welfare Recipients*, 1993, p. 8.

9. Brock, Butler, and Long, *Unpaid Work Experience for Welfare Recipients*, 1993, p. 67.

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10. U.S. Department of Health and Human Services, table on "Average Monthly Percentage of JOBS Participants by State and Component," fiscal year 1994.

11. Bruce S. Jansson, *The Reluctant Welfare State: A History of American Social Welfare Policies* (Belmont, Calif.: Wadsworth Publishing Company, 1988), pp. 140–41; Sar A. Levitan, *Programs in Aid of the Poor for the 1980s*, 4th ed. (Baltimore: The Johns Hopkins University Press, 1988), p. 123.

12. Data from New York City Human Resources Administration.

13. Brock, Butler, and Long, *Unpaid Work Experience for Welfare Recipients*, 1993, pp. 66–76.

14. The number of full-time city employees dropped from more than 230,000 in 1989 to 204,000 in 1996. City of New York, *Executive Budget: Fiscal Year 1997—Budget Summary*, p. 6.

15. Judith M. Gueron, "Work Programs and Welfare Reform," in *Public Welfare* (Washington, D.C.: American Public Welfare Association, Summer 1995), pp. 7–16. This figure also does not include the costs of the welfare grants that people received while they were in workfare positions.

16. These findings were based on surveys of people who actually showed up at worksites. See Judith M. Gueron, *Reforming Welfare with Work* (New York: Ford Foundation, 1987), p. 20; Brock, Butler, and Long, *Unpaid Work Experience for Welfare Recipients*, 1993, pp. 28–29.

17. A study of one large-scale program—a 1970s guaranteed paid jobs program for disadvantaged youth—also found that the large majority of worksites were of at least adequate quality and thus did not constitute unproductive "make-work." This program provided part-time and summer jobs to young people who stayed in school. See Judith M. Gueron, *Lessons from a Job Guarantee: The Youth Incentive Entitlement Pilot Projects* (New York: MDRC, 1984), p. 6.

18. Brock, Butler, and Long, *Unpaid Work Experience for Welfare Recipients*, 1993, p. 3 It is important to note that these studies did not assess whether the work requirements affected the number of people who applied for welfare. However, some experts believe that programs are unlikely to reduce welfare "entries" if they do not significantly increase "exits" among those already on the rolls.

19. C. Nielsen Brasher, "Workfare in Ohio: Political and Socioeconomic Climate and Program Impact," *Policy Studies Journal*, Vol. 22, No. 3 (1994): 514–27.

20. Brock, Butler, and Long, *Unpaid Work Experience for Welfare Recipients*, 1993, pp. 55–59. These results are sensitive to the assumptions used in estimating the value of work. In these studies, the value assigned to work experience amounted to an estimate of the cost of supplying the same services with regular, paid employees. Past studies also looked at whether welfare recipients gained or lost from participating in mandatory work programs. They found relatively little net effect on recipients' economic well-being.

21. See Michael Bangser, James Healy, and Robert Ivry, *Welfare Grant Diversion: Lessons and Prospects* (New York: MDRC, 1986).

22. In 1996, the Targeted Jobs Tax Credit was replaced by the Work Opportunities Tax Credit.

23. Judith M. Gueron and Edward Pauly, *From Welfare to Work* (New York: Russell Sage Foundation, 1991), pp. 199–202; Larry L. Orr et al., *Does Training for the Disadvantaged Work? Evidence from the National JTPA Study* (Washington, D.C.: Urban Institute Press, 1996), pp. 163–65.

24. Findings from the Homemaker–Home Health Aide Demonstrations, presented in John Enns, Stephen Bell, and Kathleen Flanagan, *Trainee Employment and Earnings* (Cambridge, Mass.: Abt Associates Inc., 1987), cited in Gueron and Pauly, *From Welfare to Work*, pp. 196–99.

25. Bangser, Healy, and Ivry, *Welfare Grant Diversion*, 1986, pp. 53–54.

26. U.S. Department of Health and Human Services, table on "Average Monthly Percentage of JOBS Participants by State and Component," fiscal year 1994.

27. Gary Burtless, "Are Targeted Wage Subsidies Harmful? Evidence from a Wage Voucher Experiment," *Industrial and Labor Relations Review*, Vol. 39, No. 1 (1985), 105–14. It should be noted that these results were found for programs in which job-seekers themselves, rather than trained program staff, were responsible for "selling" the subsidy to employers.

28. See, for example, U.S. General Accounting Office, *Targeted Jobs Tax Credit: Employer Actions to Recruit, Hire, and Retain Eligible Workers Vary* (Washington, D.C.: U.S. General Accounting Office, February 1991).

29. MDRC Board of Directors, *Summary and Findings of the National Supported Work Demonstration* (Cambridge, Mass.: Ballinger Publishing Co., 1980), pp. 21–30.

30. Gueron and Pauly, *From Welfare to Work*, 1991, p. 195; Peter Kemper, David Long, and Craig Thornton, *The Supported Work Evaluation: Final Benefit-Cost Analysis* (New York: MDRC, 1981), p. 106.

Chapter 5: **Changing Financial Incentives**

1. Under the 1996 federal welfare law, cash assistance recipients are no longer automatically eligible for Medicaid. This change may affect the work/welfare trade-off, but its full implications are unclear.

2. LaDonna Pavetti, *Learning from the Voices of Mothers: Single Mothers' Perceptions of the Trade-offs Between Welfare and Work* (New York: MDRC, 1993), pp. 6, 8, 9.

3. Andrew Sum, W. Neal Fogg, and Robert Taggart, *From Dreams to Dust: The Deteriorating Labor Market Fortunes of Young Adults* (Baltimore: Johns Hopkins University, Institute for Policy Studies, 1996), pp. 32–37.

4. Census data cited in Iris J. Lav and Edward B. Lazere, *A Hand Up: How State Earned Income Credits Help Working Families Escape Poverty* (Washington, D.C.: Center on Budget and Policy Priorities, 1996), p. 4. Part of the increase in poverty among working families with children can be traced to the increase in the proportion of such families that are headed by single mothers.

5. See David T. Ellwood, *Poor Support: Poverty in the American Family* (New York: Basic Books, 1988), for arguments in favor of make-work-pay strategies and a broad set of policy proposals.

6. Under AFDC, 10 states used another method, known as fill-the-gap budgeting, to increase work incentives. Under standard rules, the grant is determined by subtracting the family's earnings from the "payment standard." Fill-the-gap budgeting allows families to fill all or part of the gap between the payment standard and the "need standard" with earnings before the grant is reduced. (The need standard, which is the amount the state deems necessary for a family to meet its basic needs, is often higher than the payment standard.) See U.S. House of Representatives, Committee on Ways and Means, *1994 Green Book: Overview of Entitlement Programs* (Washington, D.C.: U.S. Government Printing Office, 1994), p. 329.

7. Center for Law and Social Policy, "Updated Waiver Information" (Washington, D.C.: Center for Law and Social Policy, May 1996).

8. The states with refundable EITCs are Minnesota, New York, Vermont, and Wisconsin. The states with nonrefundable EITCs are Iowa, Maryland, and Rhode Island. For more information, see Lav and Lazere, *A Hand Up*, 1996.

9. In 1994, 21 percent of the households receiving Food Stamps also had earned income. U.S. House of Representatives, Committee on Ways and Means, *1996 Green Book: Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means* (Washington, D.C.: U.S. Government Printing Office, 1996), p. 880.

10. Robert Moffitt, "Incentive Effects of the U.S. Welfare System: A Review," *Journal of Economic Literature*, Vol. 30 (1992): 1–61.

11. E. Uhr and Elizabeth Evanson, eds., "Measuring the Effects of the Reagan Welfare Changes on the Work Effort and Well-Being of Single Parents," Institute for Research on Poverty, University of Wisconsin–Madison, *Focus*, Vol. 8, No. 1 (Spring 1985): 3–4.

12. The specific rules were as follows: During the first four months of work, a standard $90 (for work expenses) was disregarded, plus $30 and 1/3 of any remaining earnings. In months 5 to 12, a total of $120 was disregarded. After month 12, only the $90 work expense disregard was allowed.

13. U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, Office of Income Security Policy, *Overview of the Seattle-Denver Income Maintenance Experiment Final Report* (Washington, D.C.: U..S. Government Printing Office, 1983).

14. Social Research and Demonstration Corporation, *When Work Pays Better Than Welfare: A Summary of the Self-Sufficiency Project's Implementation, Focus Group, and Initial 18-month Impact Reports* (Vancouver, B.C.: Social Research and Demonstration Corporation, 1996), pp. 2, 5, 6; David Card and Philip K. Robins, *Do Financial Incentives Encourage Welfare Recipients to Work? Initial 18-month Findings from the Self Sufficiency Project* (Vancouver, B.C.: Social Research and Demonstration Corporation, 1996), pp. ES-1, 4.

15. Social Research and Demonstration Corporation, *When Work Pays Better Than Welfare*, 1996, pp. 11–12; Card and Robins, *Do Financial Incentives Encourage Welfare Recipients to Work?* 1996, p. ES-2.

16. The point at which the rate changes from 10 percent to 67 percent is based on the 1990 poverty line, which varied by family size. The 1990 poverty line for a family of three was about $10,400 ($867 per month).

17. For the CAP results, see William L. Hamilton et al., *The New York State Child Assistance Program: Five-Year Impacts, Costs, and Benefits* (Cambridge, Mass.: Abt Associates Inc., 1996), pp. i–xvii.

18. William L. Hamilton et al., *The New York State Child Assistance Program: Program Impacts, Costs, and Benefits* (Cambridge, Mass.: Abt Associates Inc., 1993), p. i.

19. Hamilton et al., *The New York State Child Assistance Program: Program Impacts*, 1993, p. 149.

20. Hamilton et al., *The New York State Child Assistance Program: Program Impacts*, 1993, p. 37.

21. These figures result from comparing MFIP to AFDC during the fifth to twelfth months of employment. The differences are somewhat smaller during the first four months of employment because AFDC offers an earned income disregard during this period. Under the MFIP formula, the maximum grant amount for a family with no earnings equals the combined value of AFDC and Food Stamps. An employed recipient receives the maximum grant for her family size, increased by 20 percent, minus net income. (Net income excludes 38 percent of gross earnings.) However, benefits may not exceed the maximum grant level. For additional information, see Virginia W. Knox, Amy Brown, and Winston Lin, *MFIP: An Early Report on Minnesota's Approach to Welfare Reform* (New York: MDRC, 1995), p. 3, Figure 1 (p. 7).

22. MDRC, forthcoming, 1997.

23. Alan Werner and Robert Kornfeld, *The Evaluation of To Strengthen Michigan Families: Third Annual Report—Second-Year Impacts* (Cambridge, Mass.: Abt Associates Inc., 1995), pp. iv, v, vii, 12, 14.

24. Sharon K. Long, Demetra Smith Nightingale, and Douglas A. Wissoker, *The Evaluation of the Washington State Family Independence Program* (Washington, D.C.: Urban Institute Press, 1994), pp. 1–3.

25. For a discussion of the factors that influenced people's decisions about whether to take up the Self-Sufficiency Project's supplement offer, see Wendy Bancroft and Sheila Currie Vernon, *The Struggle for Self-Sufficiency: Participants in the Self-Sufficiency Project Talk About Work, Welfare, and Their Futures* (Vancouver, B.C.: Social Research and Demonstration Corporation, 1995).

26. During the first four months of employment, Michigan's incentives actually left some families worse off financially than under traditional AFDC rules. Alan Werner and Robert Kornfeld, *The Evaluation of To Strengthen Michigan Families: Second Annual Report—First-Year Impacts* (Cambridge, Mass.: Abt Associates Inc., 1994), pp. 11–13.

27. Lav and Lazere, *A Hand Up*, 1996, pp. 40–41.

28. Long, Nightingale, and Wissoker, *The Evaluation of the Washington State Family Independence Program*, 1994, pp. 143–44.

29. Social Research and Demonstration Corporation, *When Work Pays Better Than Welfare*, 1996, pp. 11–12.

30. Hamilton et al., *The New York State Child Assistance Program: Five-Year Impacts*, 1996, p. 66.

31. Knox, Brown, and Lin, *MFIP*, 1995, p. ES-6.

32. Mark Greenberg, Steve Savner, and Rebecca Swartz, *Limits on Limits: State and Federal Policies on Welfare Time Limits* (Washington, D.C.: Center for Law and Social Policy, June 1996), p. 30.

Chapter 6: **Time Limits**

1. See Steve Savner and Mark Greenberg, *The CLASP Guide to Welfare Waivers: 1992–1995* (Washington, D.C.: Center for Law and Social Policy, 1995); and Center for Law and Social Policy, "Updated Waiver Information," May 1996, p. 2, for a discussion of state waiver demonstrations.

2. Technically, AFDC assistance to single parents has always been "time limited" in the sense that adults cannot continue to receive a grant after their youngest child is too old to be considered a dependent. But there has been no limit on the amount of time a child can receive benefits.

3. Dan Bloom, James J. Kemple, and Robin Rogers-Dillon, *FTP: The Family Transition Program—Implementation and Early Impacts of Florida's Initial Time-Limited Welfare Program* (New York: MDRC, forthcoming).

4. Mark Greenberg, Steve Savner, and Rebecca Swartz, "Limits on Limits: State and Federal Policies on Welfare Time Limits" (Washington, D.C.: Center for Law and Social Policy, 1996).

5. The provision establishing the 24-month work requirement allows each state to define "work"; in addition, there does not appear to be any specific penalty for failing to meet this requirement.

6. LaDonna Pavetti, "Who Is Affected by Time Limits?" *Welfare Reform Briefs*, No. 7 (Washington, D.C.: Urban Institute, 1995).

7. James Riccio and Stephen Freedman, *Can They All Work? A Study of the Employment Potential of Welfare Recipients in a Welfare-to-Work Program* (New York: MDRC, 1995), p. 1, Table 1 (p. 8), and unpublished data from MDRC research.

8. See, for example, State of Wisconsin, *Work Not Welfare Progress Report, January 1995–April 1996* (June 1996), p. 1.

9. For information on specific states, see Mark Greenberg, Steve Savner, and Rebecca Swartz, *Limits on Limits: State and Federal Policies on Welfare Time Limits* (Washington, D.C.: Center for Law and Social Policy, 1996).

10. See Bloom and Butler, *Implementing Time-Limited Welfare*, 1995, Table 3.1 (p. 29), pp. 34–39; and Greenberg, Savner, and Swartz, *Limits on Limits*, 1996.

11. The following discussion is based on Bloom and Butler, *Implementing Time-Limited Welfare*, 1995, especially pp. 39–44, 52–53, 56–58, 74 ff.

12. Fred Doolittle, "State-Imposed Nonfinancial Eligibility Conditions in AFDC: Confusion in Supreme Court Decisions and a Need for Congressional Clarification," *Harvard Journal on Legislation* (Winter 1982).

13. Some have argued that AFDC has discouraged marriage among recipients. They contend that time limits, by removing AFDC income, will make marriage relatively more attractive financially. See Douglas J. Besharov with Timothy S. Sullivan, "Welfare Reform and Marriage," *The Public Interest*, No. 125 (Fall 1996): 81–94.

Chapter 7: **Summing Up**

1. For a practical guide describing the elements of successful employment-focused welfare-to-work programs, see Amy Brown, *Work First: How to Implement an Employment-Focused Approach to Welfare Reform*, ReWORKing Welfare: Technical Assistance for States and Localities (New York: MDRC, 1997).

2. U.S. Department of Health and Human Services and U.S. Department of Education, *The JOBS Evaluation: Monthly Participation Rates in Three Sites and Factors Affecting Participation Levels in Welfare-to-Work Programs*, prepared by Gayle Hamilton (Washington, D.C.: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, 1995), pp. 17–22.

3. Maria Cancian and Daniel R. Meyer, "A Profile of Wisconsin Welfare Recipients: Baseline Data," in University of Wisconsin—Madison Institute for Research on Poverty, *Focus*, Vol. 18, No. 1 (1996): 58–60.

4. For a discussion of Los Angeles County's recent effort to reorient its welfare-to-work programs using lessons from successful programs elsewhere, see Evan Weissman, *Changing to a Work First Strategy: Lessons from Los Angeles County's GAIN Program for Welfare Recipients*, ReWORKing Welfare: Technical Assistance for States and Localities (New York: MDRC, 1997).

5. In fall 1996, Florida implemented a statewide welfare reform that does not include many of the costly, service-rich elements of its pilot program. See Florida Legislature, "A Plan to Reform Welfare in Florida," 1996.

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Selected Publications on MDRC Projects

Reforming Welfare

Books and Monographs

Reforming Welfare with Work (Ford Foundation). Monograph. 1987. Judith M. Gueron. A review of welfare-to-work initiatives in five states.

From Welfare to Work (Russell Sage Foundation). Book. 1991. Judith M. Gueron, Edward Pauly. A synthesis of research findings on the effectiveness of welfare-to-work programs. Chapter 1, which is the summary of the book, is also published separately by MDRC.

Five Years After: The Long-Term Effects of Welfare-to-Work Programs (Russell Sage Foundation). Book. 1995. Daniel Friedlander, Gary Burtless. An analysis of five-year follow-up data on four welfare-to-work programs.

After AFDC: Welfare-to-Work Choices and Challenges for States. Book. 1997. Dan Bloom. A summary and synthesis of lessons derived from studies of welfare reform programs.

ReWORKing Welfare: Technical Assistance for States and Localities

After AFDC: Welfare-to-Work Choices and Challenges for States. See under Books and Monographs.

Work First: How to Implement an Employment-Focused Approach to Welfare Reform. 1997. Amy Brown.

Changing to a Work First Strategy: Lessons from Los Angeles County's GAIN Program for Welfare Recipients. 1997. Evan Weissman.

Working Papers

Working Papers related to a specific project are listed under that project.

Learning from the Voices of Mothers: Single Mothers' Perceptions of the Trade-offs Between Welfare and Work. 1993. LaDonna Pavetti.

Unpaid Work Experience for Welfare Recipients: Findings and Lessons from MDRC Research. 1993. Thomas Brock, David Butler, David Long.

From Welfare to Work Among Lone Parents in Britain: Lessons for America. 1996. James Riccio.

Papers for Practitioners

Assessing JOBS Participants: Issues and Trade-offs. 1992. Patricia Auspos, Kay Sherwood.

Linking Welfare and Education: A Study of New Programs in Five States. 1992. Edward Pauly, David Long, Karin Martinson.

Improving the Productivity of JOBS Programs. 1993. Eugene Bardach.

NOTE: For works not published by MDRC, the publisher's name is shown in parentheses following the title.

Reports and Other Publications

Time-Limited Welfare

The Cross-State Study of Time-Limited Welfare

An examination of the implementation of some of the first state-initiated time-limited welfare programs.

Implementing Time-Limited Welfare: Early Experiences in Three States. 1995. Dan Bloom, David Butler.

Florida's Family Transition Program

A study of Florida's time-limited welfare program.

The Family Transition Program: An Early Implementation Report on Florida's Time-Limited Welfare Initiative. 1995. Dan Bloom.

The Family Transition Program: Implementation and Early Impacts of Florida's Initial Time-Limited Welfare Program. 1997. Dan Bloom, James J. Kemple, Robin Rogers-Dillon.

Making Work Pay

The Minnesota Family Investment Program (MFIP)

An evaluation of Minnesota's welfare reform initiative.

MFIP: An Early Report on Minnesota's Approach to Welfare Reform. 1995. Virginia Knox, Amy Brown, Winston Lin.

The New Hope Project

A test of a neighborhood-based antipoverty program and welfare alternative operating in Milwaukee.

The New Hope Offer: Participants in the New Hope Demonstration Discuss Work, Family, and Self-Sufficiency. 1996. Dudley Benoit.

Canada's Self-Sufficiency Project (SSP)

A test of the effectiveness of a temporary earnings supplement on the employment and welfare receipt of public assistance recipients. Reports on the Self-Sufficiency Project are available from Social Research and Demonstration Corporation (SRDC), 275 Slater St., Suite 900, Ottawa, Ontario K1P 5H9, Canada. Tel.: 613-237-4311; Fax: 613-237-5045. In the United States, the reports are also available from MDRC.

Making Work Pay Better Than Welfare: An Early Look at the Self-Sufficiency Project (Social Research and Demonstration Corporation). 1994. Susanna Lui-Gurr, Sheila Currie Vernon, Tod Mijanovich.

Creating an Alternative to Welfare: First-Year Findings on the Implementation, Welfare Impacts, and Costs of the Self-Sufficiency Project (Social Research and Demonstration Corporation). 1995. Tod Mijanovich, David Long.

The Struggle for Self-Sufficiency: SSP Participants Talk About Work, Welfare, and Their Futures (Social Research and Demonstration Corporation). 1995. Wendy Bancroft, Sheila Currie Vernon.

Do Financial Incentives Encourage Welfare Recipients to Work? Initial 18-Month Findings from the Self-Sufficiency Project (Social Research and Demonstration Corporation). 1996. David Card, Philip Robins.

When Work Pays Better Than Welfare: A Summary of the Self-Sufficiency Project's Implementation, Focus Group, and Initial 18-month Impact Reports. 1996. Social Research and Demonstration Corporation.

JOBS Programs

The JOBS Evaluation

An evaluation of welfare-to-work programs operating under the Job Opportunities and Basic Skills Training (JOBS) provisions of the Family Support Act of 1988.

From Welfare to Work (Russell Sage Foundation). See under Books and Monographs.

The Saturation Work Initiative Model in San Diego: A Five-Year Follow-up Study. 1993. Daniel Friedlander, Gayle Hamilton.

The JOBS Evaluation: Early Lessons from Seven Sites (U.S. Department of Health and Human Services [HHS] and U.S. Department of Education [ED]). 1994. Gayle Hamilton, Thomas Brock.

Five Years After: The Long-Term Effects of Welfare-to-Work Programs. See under Books and Monographs.

The JOBS Evaluation: Adult Education for People on AFDC—A Synthesis of Research (U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation [HHS, ASPE]). 1995. ED and HHS. Prepared by Edward Pauly.

The JOBS Evaluation: Early Findings on Program Impacts in Three Sites (HHS, ASPE). 1995. HHS and ED. Prepared by Stephen Freedman, Daniel Friedlander.

The JOBS Evaluation: How Well Are They Faring? AFDC Families with Preshool-Aged Children in Atlanta at the Outset of the JOBS Evaluation (HHS, ASPE). 1995. HHS and ED. Prepared by Child Trends, Inc.: Kristin Moore, Martha Zaslow, Mary Jo Coiro, Suzanne Miller, Ellen Magenheim.

The JOBS Evaluation: Monthly Participation Rates in Three Sites and Factors Affecting Participation Levels in Welfare-to-Work Programs (HHS, ASPE). 1995. HHS and ED. Prepared by Gayle Hamilton.

Work First: How to Implement an Employment-Focused Approach to Welfare Reform. 1997. Amy Brown.

Changing to a Work First Strategy: Lessons from Los Angeles County's GAIN Program for Welfare Recipients. 1997. Evan Weissman.

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An evaluation of California's Greater Avenues for Independence (GAIN) Program, the state's JOBS program.

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